Improving Efficiency of the National Strategies for Financial Literacy

Summary of APEC 2012 Conference Materials
Improving Efficiency of the National Strategies for Financial Literacy

Summary of APEC 2012 Conference Materials
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**Special Financial Literacy and Education Trust Fund Website**

*sponsored by the Ministry of Finance of the Russian Federation*

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Introduction

Most financial literacy surveys conducted worldwide and in APEC economies, show that large segments of the population have insufficient financial knowledge to understand even basic financial products, underestimate their risks, and often do not make effective decisions on managing their finances and using financial products. As evidenced by the ongoing financial crisis, this represents a threat to overall financial, economic and political stability.

Being financially illiterate can also have a major negative impact on the life of individuals’ and households’. This is especially so for low-income groups, undermining their capacity to set and achieve long-term goals and at worst exposing them to severe personal financial crises.

That’s why financial literacy is becoming the core skill for everyone in the 21st century.

The financial crisis triggered demand for financial literacy programs as well as a need to develop more integrated and strategic approach aimed at broader access to financial services and awareness, improved financial literacy and better financial consumer protection.

In Russia over the last decade, the financial industry expanded in line with economic growth and increasing incomes. Basic financial services, like money transfers and bank deposits, accounts and cards, all became available. The rapid growth of household lending over the last decade has been accompanied by an increase in the number of households that had difficulty in understanding the risks and obligations they assumed or the full range of choices available. The population still demonstrates a low ability to “plan ahead” and save for retirement. In general, the vast majority of people lack basic financial literacy skills, confidence and awareness, and mistrust in financial system.

The Russian Government adopted a long-term strategy to strengthen the financial sector, which includes measures of extending services to a broad range of the population, and improving consumer protection and financial literacy. We believe that improved financial literacy would provide a more favorable environment for increased savings, influence responsible financial behavior, facilitate financial sector development, and lead to a more careful selection of financial institutions and reduction in the number of unreliable or fraudulent financial intermediaries.

Russia also highlighted the importance of financial literacy as a global issue during its G8 Presidency in 2006. As a follow-up, the Russian Government allocated US$15 million to the Trust fund administered by the World Bank in cooperation with OECD to: (i) support international research to measure financial literacy; (ii) assess the effectiveness of various approaches to financial education; and (iii) disseminate best practices and lessons learned. We have chosen the national strategies on financial literacy as one of our key priorities for APEC 2012 Presidency agenda as the continuation of our efforts at international and national levels.

I am delighted to present the accomplishments and lessons from the World Bank/OECD Russian Trust Fund to you. Many countries benefit from the Russia Trust Fund work and I commend all researchers and practitioners worked for it for the remarkable achievements of the Fund’s work. We would like to promote the practical tools for policy makers and financial education practitioners to make financial literacy strategies and programs more effective and efficient. Of course there is no one size fits all model. Nevertheless we believe that there is a strong case for development of better design and enforcement of evidence based public policies aimed at further financial empowerment and protection of population, which would raise the profile of financial education, avoid resources duplication, and ensure that financial literacy programs can be relevant and sustainable.

One of our great priorities is youth. Next generation will increasingly bear the burden of financial decisions and will require more financial skills than their parents to cope with the complex financial environment in which they will live. Therefore, we support the initiatives of the World Bank and OECD to promote financial education in schools as a critically important part of an education in the 21st century. We believe that it’s important to start financial education as early as possible and continue it life-long through the establishment of tailored and dedicated programs adapted to people’s needs.

I hope this publication will be helpful for APEC economies in order to improve their efforts to support economic and financial stability, inclusive development, people’s wellbeing.

Anton Siluanov
Minister of Finance of the Russian Federation
Special Financial Literacy and Education Trust Fund Website

View all the materials, including presentations, from the APEC Conference Improving “Efficiency of the National Strategies for Financial Literacy” materials on the web at www.finlitedu.org.

Training for migrants

A new experiment shows that training improves knowledge and information seeking, reduces switching to costlier remittance products.

Addressing a critical need

The increased role and complexity of financial markets and their products in countries at all development stages has reinforced the need to improve the capacity of consumers to effectively access and manage interactions with these services, especially in low and middle income countries where financial inclusion is poor and educational attainments are low. To enable consumers in these countries to understand, access, and make better financial decisions regarding bank accounts, credit, savings, insurance, retirement, and an array of other more complex products, development of programs aimed at improving knowledge, skills, attitudes and behavior in this area are required.

Despite the nearly universal nature of the need, however, there is not yet a consensus about how to best define the knowledge and skills required for financial capability, how to measure capability levels among different groups, and how to evaluate the effectiveness of programs designed to enhance knowledge to behavior change. Against this background, the Trust Fund’s main focus will be the development of a conceptual framework and an operational...
APEC CONFERENCE "IMPROVING EFFICIENCY OF NATIONAL STRATEGIES FOR FINANCIAL LITERACY"

JUNE 26, 2012

The Ministry of Finance of the Russian Federation, the World Bank and the OECD sponsored a conference held in conjunction with the APEC Senior Finance Officials Meeting (SFOM) in Saint Petersburg on June 26-27.

The objective was to present the work undertaken by the World Bank and the OECD through the Russia Financial Literacy and Education Trust Fund and to offer a venue for interaction between stakeholders and international experts on Financial Education and Capability, Financial Stability, Financial Access and Inclusion, and Consumer Protection.

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APEC Conference Agenda

IMPROVING EFFICIENCY OF NATIONAL STRATEGIES FOR FINANCIAL LITERACY
Supported by Russia’s World Bank Trust Fund and the OECD
June 26–27, St. Petersburg, Russia

DAY 1 | Tuesday 26 June 2012

9:00–9:15
Opening Remarks
Mr. Andrey Bokarev, SFOM Chair, Ministry of Finance of the Russian Federation
(with possible remarks by APEC co-sponsors: Singapore, Thailand, New Zealand)

9:15–9:25
Presentation of the Special Financial Literacy and Education Trust Fund Website sponsored by the Ministry of Finance of the Russian Federation
Mr. Richard Hinz, Program Manager, Financial Literacy and Education Trust Fund, the World Bank

Financial Literacy Policies and Practices:

9:25–10:50
Elements and Experiences in Developing National Financial Education Strategies
This session provides information from the OECD’s review of the development of National Financial Education Strategies supported by resources from the Russian Trust Fund combined with the discussion of APEC experiences to date in developing and implementing the strategies. This two hour session would begin with a presentation of the OECD/INFE High-level Principles on National Strategies for Financial Education endorsed by the G-20, an overview of the report from the OECD followed by case studies in APEC economies that have recently or are currently in the process of formulating and implementing national strategies.

The OECD/INFE Principles and Report on National Strategies
Mr. Andre Laboul, Head of the Financial Affairs Division, Directorate for Financial and Enterprise Affairs, OECD, Chair of the International Network on Financial Education (INFE)

Roundtable Discussion of APEC Economies Experience
Moderator: Mr. André Laboul, OECD
Ms. Diana Crossan, Commissioner, Commission for Financial Literacy and Retirement Income, New Zealand
Mr. Juan-Manuel Valle, Head of Banking, Securities and Savings Unit, Ministry of Finance, Mexico
Ms. Anna Valkova, Deputy Head of Division, Department of International Financial Relations, Ministry of Finance, the Russian Federation

11:00—11:20 Coffee break
11:20–13:00

Reaching Young Populations in Schools and through other Channels

Moderator: Ms. Flore-Anne Messy, Senior Policy Expert, OECD

The introduction of financial education in schools is among the first priorities in countries implementing a national strategy for financial education. Alternative approaches to establishing a foundation of financial capability among the young are being used to supplement this more traditional approach.

This session will begin provide an overview of the guidelines on financial education in schools developed by the OECD and its INFE supported by the Trust Fund. It will also discuss a measure of the financial competencies of young people using the OECD’s Program for International Student Assessment. It will then introduce two well developed examples of each approach that are also the subject of in depth impact evaluations supported by the Russia Trust Fund at the World Bank. It will conclude with a discussion of plans and experience from several APEC economies.

OECD/INFE Guidelines on Financial Education in Schools
Ms. Flore-Anne Messy, Senior Policy Expert, OECD, Executive Secretary INFE,

Measurement of Financial Competencies of Youth: The OECD/PISA Measurement Effort
Ms. Annamaria Lusardi, Professor of Economics, the George Washington University School of Business, Chair of the PISA Financial Literacy Expert Group

Case studies:

A National Program of Financial Education in the Schools in Brazil
Mr. José Alexandre Vasco Cavalcanti, Head of Investor Assistance and Education Department, Brazilian Securities and Exchange Commission (CVM), and Mr. Bilal Zia, Economist, the World Bank

Roundtable discussion of APEC Experience
Mr. Hidehiko Sogano, Deputy Director General, Bank of Japan
Ms. Roxana Buendia, Executive Co-ordinator of Financial Education, Superintendence of Banking, Insurance and Private Pension Funds (SBS), Peru

13:00–14:30 Lunch

14:30–17:30

Measuring Financial Literacy and Capability

Moderator: Ms. Diana Crossan, Commissioner, Commission for Financial Literacy and Retirement Income, New Zealand

This session will provide an overview of methods to develop national measures of financial knowledge and capability and provide more in depth information on two examples that have been developed by the OECD and the World Bank under the Russian Trust. It will also provide and introduction to a recent survey of financial inclusion completed by the World Bank that provides comparative data for a 148 countries. It will conclude with case studies on the use of these instruments from several APEC economies currently undertaking national measurement efforts

Financial Literacy, Capability and Inclusion Measurement Tools

Overview of Measurement Methods (Preliminary Findings of World Bank Review)
Ms. Valeria Perotti, Social Protection Specialist, the World Bank, and Mr. Giuseppe Iarossi, Lead Evaluation Officer, the World Bank

Measuring Financial Capability in Low and Middle Income Setting
(A new instrument developed under the Russian Trust Fund by the World Bank)
Ms. Elaine Kempson, Lead Consultant for the World Bank Project, University of Bristol
OECD/INFE tools Cross Country Surveys of Financial Literacy/Capability (Supported by the Russia Trust Fund)
Ms. Adele Atkinson, Policy Analyst, OECD

The Global Financial Inclusion Index (Findex)
Ms. Leora Klapper, Lead Economist, the World Bank

16:00–16:20 Coffee-break

Case Studies of National Measurement Efforts:
Mr. Luis Trevino Garza, Director for Access to Finance, National Banking and Securities Commission (CNBV), Mexico
Mr. Gae Kauzi, Economist, Bank of Papua New Guinea, and Ms. Wei Zhang, Financial Sector Specialist, the World Bank

17:30–Cultural program

DAY 2 | Wednesday 27 June 2012

9:00–9:10 Outcomes of the ABAC Financial Inclusion Forum in Shanghai:
Dr. Julius Caesar Parrenas, Senior Advisor to the Chairman, ABAC/PECC

9:10–11:10 Impact Evaluation of Financial Capability Enhancement Programs

Moderator: Mr. Mattias Lundberg
This session will provide information on methods for measuring the impact and outcomes achieved through a wide range of programs designed to improve the financial capability of specific groups. It would highlight the work developed under the Trust Fund to develop high-level principles and a methodological “toolkit” that provides practical advice for undertaking evaluations and integrating them into the design of programs. It will begin with presentations on principles and methods and conclude with several case studies that illustrate effective evaluation methods and innovate ways to address the particular challenges of financial capability enhancement programs.

Principles and Tools:

OECD/INFE High-level Principles and Framework for Program Evaluation
Ms. Adele Atkinson, Policy Analyst, OECD

A Toolkit of Methods for Program Evaluation in Low and Middle Income Countries
Ms. Joanne Yoong, Economist, Rand Corporation

Case Studies: Methods and Findings from Evaluation Studies

Information Disclosure and Consumer Protection in Mexico
Mr. Xavier Gine, Senior Economist, the World Bank

Financial Education of Migrant Workers in Australia and New Zealand
Mr. Bilal Zia, Economist, the World Bank

Entertainment Education for Consumer Debt Management in South Africa
Ms. Gunhild Berg, Financial Sector Specialist, the World Bank

11:10–11:40 Coffee-break
11:40–12:30
**Russian National Financial Education and Financial Literacy Project**

**Moderator**: Ms. Anna Zelentsova, Financial Literacy Project Coordinator, Russia

**Piloting Regional Programs**
Mr. Marat Abdulkhalykov, Minister of Finance, Volgograd region
Mr. Victor Porembsky, Minister of Finance, Kaliningrad region

**Importance of Strengthening the Financial Consumer Protection**
Mr. Oleg Prusakov, Head of Consumer Protection, Federal Agency for Consumer Protection and Human Wellbeing Surveillance

12:30–14:00 Lunch

14:00–15:40
**Special Issues in Developing Programs and Communication Campaigns**

**Moderator**: Mr. Robert Holzmann, Senior Advisor, the World Bank

Behavioral Economics: from research to financial literacy policies and campaigns
Mr. Ari Kapteyn, Senior Economist, Rand Corporation

The importance of targeting different audiences through financial education
Ms. Annamaria Lusardi, Professor, the George Washington University School of Business, USA

Public Communication Campaign in Singapore
Mr. Leow Wei Jen, Chief Specialist, the Ministry of Finance, Singapore

Public Communication and Awareness Campaigns: the case of pension
Ms. Flore-Anne Messy, Senior Policy Expert, OECD

15:40–16:00 Coffee break

16:00–17:00
**APEC and Global Financial Capability Agenda: Next steps**

The final session will present the proposed policy statement for APEC leaders on financial literacy. It will also address issues related to integrating the Financial Education and Capability agenda with the closely related work on Financial Inclusion and Consumer Protection.

**A Policy Note for APEC Ministerial Meeting**
Mr. Andrey Bokarev, APEC SFOM Chair, Ministry of Finance of the Russian Federation

**Free Discussion of the Conference Participants**
Remarks from Indonesia as next APEC Presidency

**Developing an Integrated Policy Framework for Financial Inclusion, Capability and Consumer Protection**
Ms. Aurora Ferrari, Manager of the Finance Service Line, the World Bank

17:10–17:20 **Concluding Remarks**
Mr. Andrey Bokarev, APEC SFOM Chair, Ministry of Finance of the Russian Federation
Financial Literacy
Policies and Practicies

OECD/INFE National Strategies for Financial Education
OECD/INFE Financial Education in Schools
Evaluation Results of the High School Financial Education Program in Brazil
OECD/INFE National Strategies for Financial Education

Summary, APEC Experiences and High-level Principles

I. Introduction

Financial education has become an important complement to market conduct and prudential regulation, and improving individual financial behaviours is considered a long-term policy priority in a growing number of countries. This trend has notably led to the development of a wide range of financial education initiatives by governments, regulators and various other private and civil stakeholders.

As the amount of attention and resources spent on financial education has increased so has the importance of ensuring the efficiency and relevance of these programmes and their long-term impact. In this respect, the establishment of co-ordinated and tailored strategies at national level has been widely acknowledged as one of the best means to achieve these efficiency goals.

The rationale for the development of a National Strategy is multifold. They promote a smoother and more sustainable co-operation between interested parties and stakeholders and avoid duplication of resources. They also allow the development of articulated and tailored roadmaps with measurable and realistic objectives based on dedicated national assessments and following the most efficient and innovative practices.

However such national endeavours have often proved to be challenging notably due to limited long-term commitment from concerned stakeholders, difficult cooperation between them, competing interests and mandates, lack of financial and in-kind resources and other implementation issues.

In order to adequately address this issue, the OECD International Network on Financial Education1 (INFE) set up in 2010 an Expert Subgroup on national strategies for financial education which assessed and recommended options to design more efficient national strategies for financial education.

In the Principles and related material, a National Strategy for Financial Education is defined as: a nationally coordinated approach to financial education which consists of an adapted framework or programme that:

- Recognises the importance of financial education and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- Involves the co-operation of different stakeholders as well as the identification of a national leader or coordinating body/council;
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and,
- Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the NS.


II. National Strategies for Financial Education: Report Summary and APEC Experiences

The first comparative report on National Strategies for financial education2 should be seen as a background document to the Principles, displayed hereinafter and as an additional tool for policy makers interested in the design and implementation of such endeavours.

The report highlights both the long-term nature of these endeavours and the fact that in most countries such efforts are in an early stage of advancement. The analysis shows how countries overcame a series of challenges such as lack of resources, the identification of a leading institution, gathering all stakeholders around common objectives and move efficiently to the operational phase. Many countries have also indicated the advantages and (expected) benefits of the development of National Strategies.

The report is based on a stock-taking exercise conducted by the OECD INFE through a questionnaire distributed to national authorities from OECD and non OECD countries. In total, 36 countries have been found to be designing or having implemented a National Strategy. The experiences analysed provide a global picture of the situation in 2011/12 and notably a selection of relevant solutions and tools to address these issues in a replicable way.

The survey identified 6 APEC countries having already designed and implemented a National Strategy (Australia, Japan, Malaysia, New Zealand, Singapore, the United States) and 6 currently considering and/or designing one, some of which at a very advanced stage and not far from implementation (Canada, Indonesia, Mexico, Peru, Russian Federation, Thailand). These APEC members are both advanced and emerging economies and display different levels of financial literacy and financial inclusion.

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1 The OECD created the INFE network in 2008 to promote and facilitate international co-operation between policy makers and other stakeholders on financial education issues worldwide. Currently, more than 200 public institutions from more than 100 countries have joined the network.

financial markets. This is another indication that, despite national circumstances that may vary and specific national needs, an increasing number of countries choose to deal with the financial literacy needs of their populations through the design and implementation of tailored, articulated and co-ordinated National Strategy.

The experiences of APEC countries exhibit many of the common challenges faced in the design and implementation of a National Strategy, as well as examples of successful solutions. This is the case both for some of the first countries that implemented a National Strategy, such as Australia, Japan, New Zealand and the United States, and for those who are currently designing one, both at a preliminary and at an advanced stage (such as Canada, Mexico and Russia).

The examples of APEC countries, together with the rest of the countries analysed, permitted to identify some common essential features and steps to successfully establish National Strategies.

First of all National Strategies can be developed as a part of more general national endeavours aimed at empowering financial consumers as a complement to regulation in that domain. They can also seek to address particular needs of their population such as financial inclusion, as in Indonesia and Mexico.

Some of the common elements of these national initiatives include an initial assessment of population needs and gaps: Australia and New Zealand are good examples of nationwide financial literacy surveys repeated at intervals of a few years, in order to capture changes within their population. Some countries contextually engaged in a thorough assessment of existing initiatives in the field of financial education, not only to look for potential partners to include in the implementation phase, but also to better assess the policy priorities of the strategy, as in Mexico.

Countries also devote much attention to devising appropriate co-ordination and governance mechanisms, and APEC members are no different in this respect. Whether initiated by a single authority or by more than one institution, many APEC members have devised governing and/or consultative mechanisms such as the Financial Education Committee in Mexico, the Financial Literacy and Education Commission in the United States or the Financial Literacy Taskforce in Canada. These bodies serve both as steering committees in the implementation of roadmaps, and as consultative platforms that receive inputs from industry associations and civil society.

The authorities responsible for the design and development of National Strategies often define objectives, governance and content of the strategy in an overarching official document or roadmap. Roadmaps are used not only to clearly define objectives and content, but also to set timeframes and to highlight the driving principles of the strategy. Within APEC economies, Australia, Canada, New Zealand and the United States drafted roadmaps that emphasise the need for the strategy to be a platform where different stakeholders can co-operate towards common objectives and identify together specific target audiences.

Regarding target audiences, these differ depending on specific national needs. However, there is a common denominator: a majority of the countries surveyed consider the introduction of financial education in schools as a key step of a National Strategy. Within APEC, Australia, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and the United States have already introduced financial education in schools, while other members are currently designing such introduction. Roadmaps also highlight the need to monitor the overall National Strategy, as in New Zealand, which put in place a permanent reporting mechanism to the government.

Another important component of National Strategies is the evaluation of programmes included within the strategy, and the use of such evidence to further fine-tune priorities and allocate budget. The results of such exercises are useful not only to improve programmes, but also to inform the overall strategy, as in Mexico, where programme evaluation is used to chose among different communication campaigns.

The report, currently published as an OECD Working Paper in the Finance, Insurance and Private Pensions series, will be updated on an annual basis as more countries design a National Strategy and the implementation of those already in place advances.
III. Process and endorsement of the OECD/INFE High-level Principles on National Strategies for Financial Education

The development of the High-level Principles was based on the results of the stock-take conducted by the OECD/INFE and on their following comparative analysis. It followed an iterative and thorough discussion and review process within the dedicated INFE Subgroup and the INFE and also involved the OECD legal department and OECD bodies in charge of financial education, such as the Committee on Financial Markets and the Insurance and Private Pensions Committee. The High-level Principles have thus benefited from the expertise of national authorities within the INFE and from the contribution of national delegations to the OECD.

Their elaboration was also strongly supported by the G20, whose Leaders officially endorsed the High-level Principles in June 2012. The High-level Principles will also be submitted to the OECD Council for adoption as an OECD Recommendation.

The High-level Principles are intended as an overarching OECD/INFE policy instrument and as a complement to the Report on National Strategies. They offer interested stakeholders, and in particular governments and public authorities, non-binding international guidance and policy options to develop efficient national strategies for financial education. As such, they constitute one of the key global guidance instruments on financial education and awareness and should be read in conjunction with, and as an overarching framework for, the series of recommendations already produced and endorsed by INFE and, in most cases, the OECD Council on these issues.

OECD/INFE High Principles on National Strategies for Financial Education

I. Definition, Scope and Purpose

A national strategy for financial education (referred to in the rest of the document as “National Strategy” or NS) is defined as “a nationally co-ordinated approach to financial education that consists of an adapted framework or programme, which:

- Recognises the importance of financial education— including possibly through legislation—and defines its meaning and scope at the national level in relation to identified national needs and gaps (sections I and II);
- Involves the cooperation of different stakeholders as well as the identification of a national leader or co-ordinating body/council (section III);
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time (section IV); and,
- Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the NS (section VI).”

There is no one-size-fits-all model or process for the development of a NS. The process for NS development and the design of its framework should address specific national challenges and be adapted to countries’ short and long term policy objectives.

The NS can be part of, or a complement to, an holistic approach aimed at financially empowering consumers and investors through enhanced access to a range of regulated financial services or appropriate financial inclusion and/or improved financial consumer protection framework; or more broadly at promoting the development of sound and fair financial markets and supporting financial stability.

Whether they are part of a wider strategy or not, NS have to be developed to be consistent with related national strategies or initiatives on financial inclusion and financial consumer protection, reflecting the need to develop a trilogy approach on financial consumer empowerment promoted by the G20 and the OECD/INFE.

The process for establishing and implementing the NS can follow different paths depending on countries’ circumstances. Accordingly, the articulation of the following 4 sections (which mirrors the NS abovementioned definition) does not necessarily reflect a sequential order, but the main elements of a NS which can be put in place at different times or simultaneously in countries depending on their context.

The specific objectives of the financial literacy component can range from improved awareness, confidence, knowledge and understanding of consumers and investors on financial issues to making savvier financial decisions. They can also involve more tailored priorities including reaching out to specific and potentially vulnerable segments of the population, as well as addressing identified policy priorities (see also section IV).

The preparation and development of the NS on one hand and its implementation on the other hand can involve different parties and timeframes.

Considering the diversity of experiences, the OECD/INFE should continue to provide a platform for peer learning through which countries that have developed a NS can share lessons learnt and good practices.

II. Preparation of the National Strategy: Defining its Scope and Purpose through Assessment, Mapping and Consultation

Ideally, the development of a NS should involve the whole sequence of appropriate assessment, mapping, consultative and communication processes and preparatory surveys. Such preparation should preferably be driven by the government, a public or regulatory authority or a national consultative/steering body.

In order to avoid losing momentum but taking into account possible challenges (including political willingness and available resources), this preparatory step should be followed in a timely manner, or concomitant with, the design of a common framework (sections III and IV) and its implementation (section VI).

The process for the development of the NS is important in order to raise the level of awareness of financial literacy issues at a national level, build trust among various stakeholders, identify the best modalities for co-ordination and ensure relevance at the national level. It can also be instrumental in identifying a leading authority for the NS and establishing adequate co-ordination mechanisms in readiness for implementation.

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4 Defined by the OECD in 2005 as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being”.

5 Financial inclusion is currently defined in various ways. The G20 Global Partnership on Financial Inclusion and the INFE subgroup on the role of financial education in financial inclusion have developed globally acceptable definitions. For the sake of this document, the agreed working definition of the INFE subgroup will be used “the process of promoting affordable, timely and adequate access to a range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial wellbeing as well as economic and social inclusion.”
A. Mapping and evaluation of existing initiatives
The preparatory phase should notably encompass the mapping and review of:

- existing financial education initiatives promoted by public, private and civil society stakeholders;
- relevant research and literature; and
- international practices (including the OECD and INFE instruments, analytical and comparative surveys, findings and recommendations).

The mapping exercise should allow the identification of relevant and trusted partners, operational and replicable practices, as well as possible inefficiencies and/or gaps.

B. Assessments of the needs of the population and main policy issues
Assessments of the needs of the population in terms of financial literacy and of the main national policy shortcomings should also be conducted. Such assessment(s) should preferably be based on a national measurement of financial literacy.

The assessment(s) can also draw information from sources such as consumer surveys and market research, opinions polls, consumers’ complaints, financial market surveys, financial and economic indicators or other consultative processes.

The assessment(s) should enable a better definition of the NS main targets, priorities and short and long term objectives, as well as provide a baseline from which to measure change.

C. Consultation
A mechanism or mechanisms to ensure consultation and co-ordination between the various NS stakeholders (and possibly the general public) should also be identified and activated during this preparatory phase.

The mechanism can include consultative processes and/or the creation of a dedicated platform or council/board including relevant stakeholders. The scope and level of formality of these structures will depend on the country’s circumstances and context.

D. National awareness and communication
The reporting and adequate communication of the results of this preparatory phase and the official announcement of the launch and development of the NS to relevant stakeholders and the public should be actively promoted and publicised.

Appropriate communication can help further raise awareness on the importance of financial education and the related NS

and reinforce buy-in from key stakeholders and the population at large.

III. Governance Mechanism and the Role of Main Stakeholders
The NS framework should be tailored to national circumstances and be flexible. It should also rely on transparent co-ordination and governance mechanisms with an identified leading authority or governing mechanism and shared but clearly defined roles and responsibilities for relevant stakeholders.

A. Leadership and governing structure
The NS should preferably be initiated, developed and monitored by a widely credible and unbiased leading authority or governing mechanism. It should be recognised and promoted at the highest policy level. Such a leading authority or governing mechanism should possess expertise and ideally a dedicated mandate on financial education (or consumer empowerment issues including financial education). It should also have the necessary resources and possibly enforcement powers to enable it to develop and ensure the appropriate implementation of a nationally-adapted, sustainable and efficient NS.

The leading authority or governing mechanism can be an existing public authority or body (either government, public body regulator(s) or council), a new and dedicated body or a new mechanism/structure aimed at co-ordinating various responsible authorities. Such new structures can take various forms, and can involve, and be financially supported by, a range of stakeholders.

B. Co-ordination and the roles and responsibilities of various stakeholders
The NS framework should involve cross-sectoral co-ordination at a national level of the various stakeholders known to be competent and interested in financial education. Such co-ordination should encompass the setting of responsibilities and roles consistent with the main stakeholders’ expertise, strengths, interests and resources. It should be sufficiently flexible to adapt to changing circumstances and permit renegotiations amongst concerned stakeholders whenever necessary in order to better co-ordinate the various financial education programmes and avoid unnecessary duplication.

1) Public authorities
All potentially relevant public stakeholders should be involved, to the extent possible, including ministries (and in particular the Ministries of Finance and Education), the Central Bank, the financial regulator(s) and supervisor(s), as well as other public national, regional and local authorities.

Depending on national circumstances, the involvement of public authorities should at least encompass:

- a steering committee, council, platform, board or an independent authority.

- Such as deposit guarantee scheme bodies.

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6 See also Grifoni and Messy (2012).
7 For example, the measure developed at an international level by the OECD/INFE [see OECD/INFE (2011a), OECD/INFE (2011b) and Atkinson and Messy (2012)] and by the World Bank (2012a Forthcoming).
the preparation and establishment of the NS framework, in consultation with other stakeholders;

- the identification of overarching goals and national priorities for financial education; and,

- the design and/or promotion of effective and flexible regulation, guidance, quality standards, codes of conduct and/or licensing in order to achieve these objectives through the provision of appropriate and high quality financial education programmes.

The actions of public authorities should not substitute or duplicate existing efficient initiatives by non-public stakeholders, but rather strive to co-ordinate, facilitate, reinforce and ensure the quality of the actions of all stakeholders.

2) Private sector and financial service providers

Owing to the expertise and resources of market players and in particular financial institutions, their role in financial education and in the development of related NS should be promoted as a component of their social responsibility and good governance.

The private sector contribution to financial education should at the same time be monitored and guided in order to manage potential conflicts of interests. The involvement of national associations or self regulatory bodies should be encouraged as well as the private sponsorship of public or civil society programmes. Dedicated national and/or international quality standards, charters and/or codes of conduct for the development and implementation of financial education programmes by the private sector should be developed, and their enforcement by private actors actively supported. More generally, the development of financial education programmes by the private sector should not involve the promotion and/or marketing of specific financial products or services.

The actions of private sector and financial service providers can take various forms including their involvement in the preparation and/or development of the NS framework, the implementation of financial education initiatives, the provision of dedicated material or training programmes, the participation in public-private partnerships, and support for public or civil society initiatives.

3) Other civil society and international stakeholders

Other partners, such as relevant nongovernmental organisations, trade unions, consumer associations, employers,

media and other national disseminators (e.g. public servants) should also be involved in the NS framework development and/or its implementation.

International cooperation, including through the OECD and its INFE, should be further encouraged and used to promote the development of efficient NS.

IV. Roadmap of the National Strategy: Key Priorities, Target Audiences, Impact Assessment and Resources

The NS framework should encompass the design of a tailored roadmap including an overall and cross-sectoral vision; realistic, measurable and time-bound objectives; and the definition of relevant policy priorities and, where relevant, target audiences. It should also plan an overall impact assessment and identify appropriate resources.

The roadmap should be sufficiently flexible and take account of the dynamic context of the NS (including the political environment). It should be reconsidered regularly through research and analysis to ensure the continued relevance of its content.

A. Common defined objectives and policy priorities

The NS framework should define an overall and cross-sectoral vision and set general, realistic and measureable objectives and policy priorities for the NS in accordance with the findings of the preparatory phase and the circumstances of the country.

The objectives and policy priorities should preferably involve the design of a tailored roadmap of short-term and intermediate outputs, as well as anticipated longer-term outcomes and the setting of quantitative and possibly qualitative targets for the overall NS and relevant policy priorities.

The roadmap should also contain a time schedule for the achievement of these objectives and relevant policy priorities.

Depending on national circumstances, policy priorities can include increased access to, and use of, appropriate financial services, more suitable saving and investment, reduced indebtedness and more responsible credit, improved level and

10 These should be based on international criteria such as those to be developed by the OECD/INFE.

11 In the framework of their commercial activities, financial service providers, their intermediaries and authorised agents have a responsibility to provide objective and timely information and advice to their customers as well as ensure the qualification and adequate training of their staff (especially those involved in the selling of financial products and interacting with customers)—see G20 High-level Principles on Financial Consumer Protection (2011) and OECD (2005) Recommendation for further guidance on financial service providers and authorised agents’ role and responsibilities vis-à-vis consumers and their customers through their commercial activities.

12 Depending on policy priorities, these could include the level of financial access, indebtedness, saving—in particular for retirement—quality of investments, level of fraud, number and nature of consumers’ claims, etc.

13 For Good Practices and more detailed information and guidance see notably the work of the Global Partnership for Financial Inclusion and the INFE subgroup on the role of financial education in financial inclusion.


Box 1: Further Guidance on Delivery Methods, Training and Tools

The NS can also include the following guidance for the provision and delivery of financial education programmes:

The preferences and needs of target groups should be assessed in order to design, develop and evaluate tailored and adapted dissemination tools. These can include:

- Wide and targeted public awareness campaigns to inform the public about the financial education needs of the population and important risk and financial issues; the development of these campaigns should be planned on a regular basis at a national and/or regional level.
- Objective and interactive website(s) with online information and advice should be established and maintained preferably by public stakeholders. This can include comparisons of various types of financial products. This source of information should be widely publicised and appropriate incentives can be provided to consumers to encourage them to access and use it.
- A range of other tools as appropriate including paper materials, workshops and training, and advice centres, etc.

Particular attention should be paid to the quality and timing of the delivery of financial education:

- Financial education provision should be as straightforward and engaging as possible and also include interactive tools and tips such as budgeting plans to help individuals make suitable financial decisions;
- The development, use and evaluation of innovative tools aimed at influencing consumers’ financial behaviours rather than improving their financial knowledge should also be promoted. These can encompass social marketing tools or the use of relevant findings of behavioural economics and psychological research; and,
- Financial education should preferably be provided to individuals and or communities at “teachable moments” of their lives when they are making long term plans, when they need or are about to make important (financial) decisions (e.g. wedding, pregnancy, new job, divorce, retirement, unemployment etc) or when they are in an environment conducive to learning (such as school, adult education colleges, the workplace).

The development and careful monitoring of programmes to train the persons providing financial education and/or programmes aimed at training and teaching potential future disseminators of financial education (e.g. the media, public servants, employees, etc) should be encouraged and promoted. This should help to enhance the effectiveness and reach of financial education initiatives.

The development of financial education awards and, resources permitting, licensing and certification of programmes and providers can also be considered.

Incentives can also be developed to encourage funding to support direct provision of financial education by non-profit organisations, educational institutions, as well as local or regional governments.

quality of saving for retirement and related pension issues\(^\text{16}\), as well as savvier decisions vis-à-vis risk and insurance\(^\text{17}\).

B. Target audiences

The NS framework and its roadmap should recommend the introduction of financial education as early as possible in individuals’ lives and preferably through its inclusion in the school curriculum.\(^\text{18}\)

Drawing on the results of the preparatory surveys, the framework should also indicate the main target audiences and priorities of the NS and, if relevant, a focus on particular vulnerable groups of the population.

In principle, a NS should aim to ensure that all segments of the population become financially literate. In practice and according to national circumstances and identified needs, this may mean targeting specific (vulnerable) groups with more intensive interventions or greater resources. Such groups\(^\text{19}\) may include elderly populations, youth, migrants, low income groups, women\(^\text{20}\), workers, the unemployed as well as communities speaking a different language and ethnic groups.


\(^{19}\) Such vulnerable groups and in particular elderly population should also be protected by adequate financial consumer protection framework.

C. Overall impact assessment

Methods should be identified within the NS framework and its roadmap in order to assess the implementation of the NS and provide an overall measure of its impact.

Overall impact should preferably be assessed through the development of national financial literacy surveys planned at the beginning of the NS and conducted at regular intervals (e.g. 3 to 7 years).

These surveys can be carried out using various methods including the OECD/INFE dedicated methodology²¹. These regular surveys can be coupled with the development of additional indicators aimed at monitoring the impact of policies and evolution of financial literacy skills and needs and qualitative surveys.

D. Resources

Financial and in-kind resources should ideally be earmarked for the development, implementation and evaluation of the NS, if not for the whole strategy, at least by each of the main stakeholders involved. This is particularly important if the roadmap defines some specific projects.

A combination of various public and private financial resources as well as funding through tailored partnerships should be considered. Financial contributions by the private sector to the NS should be actively encouraged.

Financial contributions by the private sector can include a levy on the industry, a voluntary contribution through financial and in-kind support to public and civil society financial education programmes, or through national associations or self-regulatory bodies.

V. Implementation

Delivery mechanisms and evaluation of programmes

The NS framework and its roadmap should ideally provide directions on the delivery, implementation and evaluation of dedicated financial education programmes.

Depending on countries circumstances, the development of the NS framework (sections II, III and IV) and its implementation may involve different parties, resources and timeframe.

A. Delivery methods, training and tools ²²

The NS framework should preferably make general recommendations on the most efficient delivery methods and tools based on identified good practices and ongoing research.

These should include:

- the use of a wide and appropriate range of delivery methods and dissemination channels adapted to the circumstances of the population at large and those of targeted groups;
- the promotion of financial education on a regular basis to communities and throughout the lives of individuals;
- the appropriate training of disseminators and providers of financial education; and,
- the development and promotion of tailored regulation, quality standards and codes of conduct by competent public authorities and their implementation by providers of financial education programmes.

B. Impact and process evaluation of programmes

The monitoring and impact evaluation of individual financial education programmes contributing to the overall NS should also be promoted actively and developed as part of each relevant programme. The use of already identified and available methods²³ should be recommended.

Selected References and Further Guidance

OECD Recommendations available at www.financial-education.org


OECD/INFE instruments and relevant outputs available at www.financial-education.org


OECD/INFE (2011b), Supplementary questions: Additional, optional survey questions to complement the OECD INFE Financial Literacy Core Questions.


²² See also Box 1.

²³ Such as those developed by the OECD/INFE [see INFE(2010a), INFE(2010b) and OECD/INFE(2011c)] as well as World Bank (forthcoming 2012b).


Other relevant instruments and outputs:


World Bank (2012b, forthcoming), Financial Education Programme Evaluation Toolkit
OECD/INFE Financial Education in Schools

Summary, APEC Experiences and OECD/INFE Guidelines and Guidance

I. Introduction

The post-crisis world has notably evidenced the needs for new individual skills, including financial literacy. Younger generations will face increasing financial risks, will be confronted with more sophisticated financial products than did previous generations and they are now given access to financial services and products at an ever younger age. However, these developments do not appear to be matched by an equivalent increase in their financial skills.

Evidence from national and OECD surveys shows how younger generations have lower levels of financial literacy compared with those of their parents, leading to potential new vulnerabilities. This mismatch potentially has important implications for example in terms of responsible use of credit, adequacy of saving for retirement or even social and financial inclusion of future generations.

National Strategies for Financial Education are increasingly involving the introduction of financial education into the school curriculum and the design and implementation of dedicated learning frameworks. Including financial education in the formal school curriculum is recognised by many countries as one of the most efficient and fair ways to reach a whole generation on a broad scale.

Yet the successful integration of financial education in school curricula can be challenging in many respects owing to a vast range of constraints and notably due to the fact that this is a new endeavour for most national administrations.

To address these needs, the OECD International Network on Financial Education (INFE) decided to develop research and guidelines to support the introduction and implementation of financial education in schools. Among these are the OECD/INFE Guidelines on Financial Education in Schools, complemented by Guidance on Learning Frameworks.

The Guidelines and accompanying Guidance were developed and finalised through a comprehensive consultative process which involved a very wide range of stakeholders. The INFE elaborated and then approved the Guidelines and Guidance for further consultation in October 2010. The final versions of the Guidelines and Guidance were approved by the INFE in October 2011; and the final versions as well as the present OECD/INFE guidelines were approved by the CMF and the IPPC on 1 March 2012.

The OECD/INFE Guidelines and the Guidance on learning frameworks address the main steps for the introduction of financial education into schools and provide guidance on the development of a consistent and sustainable framework for its integration in school programmes.

The Guidelines explain how a successful introduction of financial education in schools is better achieved through the setting of quantifiable and appropriate goals, matched by flexible modalities of introduction and taking into account resources and impact monitoring. They underline the need to ensure a suitable level of involvement of public authorities and of the educational system, teachers and parents, and of other important stakeholders such as the private sector and NGOs. The Guidelines also highlight the importance of the design and promotion of efficient means and incentives, methods for training teachers, the provision of adequate pedagogical material, evaluation of programmes and assessment of students.

The Guidelines are complemented by guidance on the design of an appropriate learning framework for financial education. Their focus is on the purpose of the framework, the outcomes that students are expected to develop, and characteristics such as length of courses and specific content, pedagogical tools, assessment of students’ results, monitoring and evaluation.

II. Financial Education in Schools in APEC Economies

Within APEC economies, several members have already introduced or are currently introducing financial education in school curricula. These are Australia, Canada, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, Russia, Singapore and the United States.

In most cases, as suggested by the Guidelines, such introduction is part of a national co-ordinated approach involving the wider community. This is the case in Australia, Canada, Malaysia, Mexico, New Zealand, and the United States. The presence of a National Strategy can prove useful notably given the need to identify a leader or co-ordinating body able to secure the involvement of all relevant authorities, i.e. public financial authorities (Ministry of Finance, Central Bank or Supervisory Authority), Ministry of Education and the educational system at the regional and local level.

As detailed in the guidelines, such introduction is ideally be preceded by a thorough assessment of the financial literacy of students, as in Japan, Korea and the United States, and

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1 The OECD created the INFE network in 2008 to promote and facilitate international co-operation between policy makers and other stakeholders on financial education issues worldwide. Currently, more than 200 public institutions from more than 100 countries have joined the network.

2 The forthcoming OECD publication “Financial Education in Schools: Policy Guidance, Challenges and Case Studies” will include detailed case studies covering APEC economies as well as a comparative analysis of selected financial education learning frameworks.
allow for a flexible implementation. APEC economies’ experiences show that a flexible and integrated approach to the introduction of financial education in schools is efficient and sometimes preferable given the constraints on most education systems: a cross-curricular approach, in which financial education is not a stand-alone subject but is rather integrated into other subjects (such as economics, social sciences, citizenship, history, etc). This can better suit the needs of federal countries (Australia and the United States are good examples) or countries in which local schools enjoy high degrees of autonomy, as in New Zealand.

Countries of the Asian-Pacific region also display different funding methods for their programmes in schools. The Guidelines take into account the need to ensure the suitability and the sustainability of resources over time, and provide as such guidance on the involvement of the private sector, suggesting ways to avoid possible conflicts of interests. APEC economies developed different ways of funding: most programmes are funded through public budgets, but some countries opted for additional financial and in-kind contributions from the private sector. In Korea, private companies invest in textbooks, Malaysia designed a “school adoption programme” for private institutions, and in New Zealand and in the United States banks, foundations and NGOs are active players.

APEC economies also offer good examples of the monitoring of progress and impact, with formal assessment of students’ competencies in Korea, Peru, New Zealand, and the United States, and with several examples of evaluation of actual teaching of financial education in classrooms, of programmes and pedagogical tools. Furthermore, some economies in the region also engaged in international surveys of the level of financial literacy of their students, as suggested by the Guidelines. Australia, China (Shanghai), New Zealand, Russia and the United States participated to the financial literacy option in PISA 2012\(^3\), the OECD international programme for students’ assessment.

Finally, the region offers interesting experiences of involvement of teachers in the development of pedagogic material, such as in Japan, and of efficient methods to train teachers as in Australia and Malaysia.

The forthcoming OECD publication “Financial Education in Schools: Policy Guidance, Challenges and Case Studies”, will include detailed case studies covering APEC economies as well as a comparative analysis of selected financial education learning frameworks.

\(^3\) More information available at: http://www.oecd.org/daf/financialmarketsinsuranceandpensions/financialeducation/oecdpisafinancialliteracyassessment.htm
OECD/INFE Guidelines and Guidance for Financial Education in Schools

Rationale

In the aftermath of the global financial crisis, financial literacy has gained international recognition as a critical life skill for individuals. In this respect, more and more countries are developing tailored financial education strategies and programmes.

The OECD has been at the forefront of these efforts establishing a comprehensive project on financial education back in 2002 and adopting a series of policy instruments including a Recommendation on Principles and Good Practices for Financial Education and Awareness in 2005. In June 2012, the OECD/International Network on Financial Education (OECD/INFE) High-level Principles on National Strategy for Financial Education were endorsed by G20 Leaders at their Los Cabos Summit.

Both, the 2005 OECD Recommendation on Principles and Good Practices for Financial Education and Awareness and the OECD/INFE High-Level Principles on National Strategies for Financial Education “recommend the introduction of financial education as early as possible in individuals’ lives and preferably through its inclusion in the school curriculum”.

Most of national financial education strategies developed by countries involve the introduction of financial education into the school curriculum and the design and implementation of dedicated learning frameworks. The rationale for these new policy endeavours is multi-fold. First, while financial education concerns all ages, the education of the younger generation on financial issues has become all the more important since they will likely bear more financial risks and be faced with increasingly complex and sophisticated financial products than their parents. Second, the young have access to, and are increasingly exposed to, financial phenomena (such as health), young people are potentially good disseminators of new habits in the rest of the population. Besides, as demonstrated in other related education fields (such as health), young people are potentially good disseminators of new habits in the rest of the population.

Yet the successful integration of financial education in school curricula proves to be challenging in many respects owing to a vast range of constraints. These include: lack of resources and time; overloaded curricula; insufficient expertise and know how; lack of high quality materials; the variety of stakeholders involved; and the lack of strong and sustainable political willingness, commitment and overall accountability.

The OECD/INFE Guidelines and accompanying Guidance are aimed at addressing these challenges and stand as a tailored supplement to the OECD/INFE High-Level Principles on National Strategies for Financial Education and the OECD 2005 Recommendation. They are aimed at providing high-level, non-binding international guidance and frameworks to assist policymakers and interested stakeholders in designing, introducing and implementing efficient financial education programmes in schools.

The Guidelines can be adapted as necessary to national, regional or local circumstances and in particular, to different curricula and the diversity of education systems. Depending on the structure of education systems at the different geographical levels, the Guidelines apply to school programmes starting in kindergarten until the end of formal schooling.

The term “financial education in schools” is used in these Guidelines to refer to the teaching of financial knowledge, understanding, skills, behaviours, attitudes and values which will enable students to make savvy and effective financial decisions in their daily life and when they become adults. Financial literacy (or capability) is used to refer to the intended outcomes of the educational programmes.

The guidelines and guidance recommend in particular that economies promote financial education in schools by:

1. integrating financial education into the school curriculum as part of a co-ordinated national strategy for financial education and on the basis of identified needs;
2. setting appropriate, tailored and quantifiable goals of financial education in the school curriculum, including through dedicated learning frameworks;
3. starting to teach financial education as early as possible and preferably at the beginning of formal schooling;
4. implementing financial education in schools in a flexible manner adapted to national, regional and local circumstances either through a standalone or a cross curricular approach;
5. identifying appropriate, commensurate and long-term financial and in-kind resources to ensure the sustainability and credibility of the development and implementation of financial education in schools;
6. planning and establishing, at the outset of the programme, methods and criteria to evaluate the progress and impact of financial education in schools;
7. ensuring the suitable involvement of important key stakeholders.


OECD/INFE Guidelines and Guidance for Financial Education in Schools

6. planning and establishing, at the outset of the programme, methods and criteria to evaluate the progress and impact of financial education in schools;
stakeholders through both a top-down and bottom-up approach. This should include a leading and coordinating role for the government and ministry of education, other public authorities and the education system as well as a pivotal role for teachers and an appropriate role for parents, the local community, students and other relevant stakeholders;

8. identifying, devising and making available adequate supporting tools and means to key stakeholders in the education system to facilitate the efficient introduction of financial education in schools. These should include:

- the appropriate information and training of teaching staff;
- the availability and provision of high quality, objective and efficient tools;
- the promotion of appropriate incentives; and
- the exchange and promotion of international good practices.
Guidelines on Financial Education in Schools

I. Framework for the integration of financial education into school curricula

A. Financial education in school programmes: an integral part of national coordinated strategies

Financial education should ideally be integrated into the school curriculum as part of a co-ordinated national strategy for financial education involving the wider community. School programmes should allow every child in a country or jurisdiction to be exposed to this subject matter through the school curriculum. The introduction of financial education should be preceded by, and based on, an assessment and analysis of the status and level of financial education provided through existing curricula and the current level of financial literacy of children and young people.

The identification of a public leader or co-ordinating body at national level should ensure the relevance and long-term sustainability of the programme. This could be a Government Ministry, such as Finance or Education, a financial regulator, a central bank or a committee/council gathering several public authorities. Whichever co-ordinating body is chosen, it is essential to secure the involvement and support of the Ministry of Education and of the education system at national, regional and local levels, preferably from the beginning of the project (see also Box 1).

Box 1. Education Systems’ Involvement and Support

The involvement of the education system and of the Ministry of Education with the objective of the inclusion of financial education in schools should be encouraged and promoted by interested policy stakeholders (which may be other parts of the government and/or public financial regulatory and supervisory bodies and/or Central Banks) in various ways.

First, depending on national circumstances, stakeholders should, to the extent possible, try to take advantage of “teachable moments” when the population and the education system may be more easily convinced of the importance of financial skills and knowledge for individuals’ well-being. The aftermath of the financial crisis has established, albeit in an unfortunate manner, the conditions for the emergence of such awareness in the population in many countries or jurisdictions and throughout national/regional/local education systems. The recent period clearly stands as a unique opportunity to develop long-term programmes and partnerships in this field.

Another method is to develop evidence of need, through the development of surveys on the level of financial literacy and skills of youth in order to bring to the attention of the public and educationalists the gaps and needs of young generations in this critical field. The development of international indicators and benchmarks on financial literacy (including through the inclusion of financial literacy assessment in the OECD Programme for International Students Assessment - PISA) will also represent a compelling tool.

Considering the lack of resources, time and possibly expertise of education systems (which are usually relatively unfamiliar with financial issues as a learning topic), interested public stakeholders may wish to consider directly supporting the development of the financial education curriculum in schools. In this respect, they can seek to provide appropriate solutions to identified constraints of the system and help establishing long-term and flexible roadmap and objectives. For instance, public financial authorities could:

- promote the introduction of financial education in the curriculum through a graduated approach: they could first suggest integrating the subject as a voluntary one, and then, where feasible, as a mandatory horizontal topic in other courses. This approach may be effective where the introduction of financial education as a stand-alone and/or mandatory subject is expected to foster stiff resistance and lead to delays in its implementation;
- assist in the development of a financial education learning framework, taking into account the requirements of the education system;
- support the development and provision of materials to teachers as well as dedicated training; and/or,
- develop concrete partnerships with the Ministry of Education or the education system possibly through Memoranda of Understanding in order to ensure the actual involvement of key education stakeholders as well as establish clear responsibilities, goals, outputs and timescales.

The development of internationally recognised OECD guidelines and recommendations could also provide a powerful argument for policy actions in this area.
B. Appropriate, tailored and quantifiable goals

The overarching goals of the introduction of financial education in the school curriculum should be set through the nationally coordinated strategy and based on relevant education principles. More detailed objectives and outputs should preferably be established in dedicated learning frameworks on financial education. Such learning frameworks should preferably be endorsed by the public educational authorities.

The content of the learning framework may vary according to national, regional or local circumstances, the identification of particular talents, needs, aspirations and gaps, the structure and requirements of the education system, and cultural or religious considerations, as well as the approach adopted for the introduction of financial education in schools. In this respect, in some countries or jurisdictions, learning frameworks on financial education may need to be developed at regional or local level.

Learning frameworks on financial education should ideally encompass knowledge and understanding; skills and behaviours; as well as attitudes and values. These may also encompass entrepreneurial skills. In general, learning frameworks on financial education in schools provide some guidance either to schools and teachers or to local authorities on:

- Learning outcomes
- Topic/content of financial education classes which can include, according to school age/grade:
  - Money and transactions;
  - Planning and managing finances;
  - Risk and rewards; and,
  - Financial landscape.
- Pedagogical approaches and methods
- Resources:
  - Number of hours per week and/or per year depending on school grade;
  - Time span in the curriculum.
- Assessment and monitoring criteria

C. Flexible implementation

The introduction of financial education in schools should ideally involve a flexible approach and be adaptable to national, regional and/or local circumstances.

It is often preferable for financial education to be introduced as a mandatory and statutory component of the national curriculum in order to ensure it is actually taught to all children through their time at school.

The introduction of financial education as a stand-alone subject or module would in principle ensure that sufficient time and resources were devoted to its teaching. However, considering the constraints on most education systems, the inclusion of financial education in some specific subjects (e.g., mathematics, economics or social sciences, home economics, citizenship, literature or history) or as a horizontal subject integrated in a wider range of classes can also be effective.

Indeed, the inclusion of financial education through a cross-curricular approach may overcome the difficulties posed by overloaded curricula, and allow for the development of more diverse and potentially innovative and engaging ways to link financial literacy to more familiar topics for teachers and students. If this approach is used, it will be important to develop mechanisms to monitor the actual teaching of financial literacy. It will also require the identification, within the dedicated learning framework on financial education, of specific links with other subjects and to provide teachers in the relevant classes with case studies and examples.

Financial education in schools should start as early as possible (ideally in kindergarten and primary schools) and last at least until the end of the formal curriculum and, to the extent possible, the end of high school. The learning framework will have to be adapted to age/grade with the objective of developing sound financial competencies throughout students’ time at school.

D. Suitability and sustainability of resources

Appropriate, commensurate and long-term financial and in-kind resources should be identified to ensure the sustainability and credibility of the development and implementation of a learning framework on financial education in schools. Such resources can come from public or private sources as long as suitable mechanisms are in place to ensure the objectivity and quality of programmes (see also Box 2). In this respect, private funding or in-kind involvement can be sought to secure sufficient financial support and to benefit from the financial expertise of private stakeholders.

E. Monitoring of progress and impact

Methods and criteria to evaluate the progress and impact of financial education programmes in schools and the efficiency of the different approaches should be planned and established at the outset of the programme. These should preferably involve the monitoring of each stage of the programme’s implementation and the quantitative and qualitative measurement of short-term outcomes and long-term impacts in order to improve its efficiency and the accountability of involved stakeholders over time.

In order to ensure the relevance and efficiency of programmes, pilot exercises involving the introduction of financial education in a smaller number of schools or at regional/local level can be considered before spreading the experience on a broader scale.

Various monitoring and evaluation processes can also be put in place including:

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6 See also the Guidance on Learning Frameworks on Financial Education in Annex.
Monitoring of programmes’ implementation and process assessment:

- Monitoring/evaluation of the actual teaching of financial education in schools (through oversight mechanisms at local, regional and/or national level and case studies);
- Evaluation of the relevance and impact of programmes, learning framework, related material, and teacher training on financial education. Such evaluation can be based on the collection of feedback from relevant stakeholders in the process (e.g., teachers, education systems management, school leaders, trainers, students, parents and the community); and,
- Evaluation of students’ competencies in financial literacy throughout the curriculum via appropriate assessment tasks in the classroom on a regular basis, formal examinations or through ad hoc national contests.

Impact evaluation in the longer term:

- Inclusion of financial education in examinations at the end of the formal school curriculum;
- Establishment of baseline surveys on the level of financial literacy and skills of students (covering assessment of financial knowledge, understanding, skills, behaviour, attitudes and values), to set a benchmark and establish gaps and needs. These surveys should ideally be repeated at regular time intervals (e.g., 3/5 years) to measure progress over time; and,
- Participation in, and use of, available international survey results on the level of financial literacy of students such as the PISA exercises starting in 2012.

II. Ensuring a suitable involvement of important key stakeholders

In order to be effective, financial education in schools should be integrated into wider community, national and/or regional initiatives. It also requires the commitment and involvement of a potentially vast range of stakeholders from diverse horizons: government, financial regulatory bodies, central banks, education systems, teachers, parents, the community and students should be involved. It may also be relevant and appropriate to seek the commitment of private financial institutions, business leaders and experts from non-for-profit associations, local networks and international organisations.

The role of each stakeholder and extent of involvement will vary depending on national circumstances, education systems and culture. However, the definition of each stakeholder’s responsibility and accountability in the process should preferably be established at the outset of the project. Key and central functions should be fulfilled by a central coordinating body (usually composed of public authorities), with the support of the education system, teachers, parents and the community as well as students.

A. Government, public authorities and education system: a leading and coordinating role

The Government and in particular, the Ministry of Education and other public authorities (such as financial regulatory and/or supervisory authorities and Central Banks) have a leading role to play in:

- assessing needs and gaps;
- mapping and evaluating existing initiatives;
- raising awareness of the importance of financial education in schools;
- defining the education framework and standards for financial education;
- leading and providing guidance on the introduction of financial education in schools and best practice models;
- framing the overall structure of the programme: setting responsibilities, monitoring the process and evaluating intermediate and final results; and,
- co-ordinating the actions of other stakeholders and overseeing the implementation phase.

The education system, its key local stakeholders and management at various levels, including school level, should be closely involved.

Appropriate mechanisms should be in place to make sure these actors are directly engaged in:

- the promotion of the successful inclusion of financial education in schools; and,
- the elaboration and identification of the best and most efficient ways and tools to meet this goal (including the development of relevant pedagogical methods).

B. Teachers and school staff; parents and the community; students: a pivotal role

Owing to their pedagogical expertise and close relation to students, teachers should be at the centre of the introduction of financial education in schools. Particular efforts should be made to involve teachers at all stages of the process, convince them of the importance of financial literacy for students and themselves, as well as to provide them with the necessary resources and training so that they feel confident teaching financial literacy in classes.

If external experts and volunteers are engaged in the classroom, teachers should preferably also be involved in, and monitor their work.

Parents and the local community should also be closely engaged, possibly through dedicated programmes and initiatives.

Incentives and signals should in particular be designed to ensure that parents and the community, as well as students, are aware
of the importance of financial education for individuals’ financial and general well-being and successful interaction with, and inclusion in, society and economic life (see also Section III).

School leaders, such as school principals and executive staff, can also play an instrumental role in efficiently promoting financial education amongst teachers, students and their parents, relatives and the wider community.

C. Other stakeholders

Other stakeholders such as the business/financial sector, expert consultants and not-for-profit institutions can also play a role in financial education in schools.

Financial institutions directly, or through national associations, can be involved in the introduction of financial education in schools. For instance, they can provide in-kind expertise or financial support for the development of materials, training for teachers or volunteers to interact with students in the classroom. However, this involvement should be clearly separated from their commercial activities and closely monitored and managed to prevent any possible conflict of interest (see Box 2).

Consulting firms or not-for-profit institutions with special expertise in the area may also be involved, for example in the development of school materials (building on the learning framework) or in training for teachers.

International organisations such as the OECD, in particular through the International Network on Financial Education (INFE), also have a role in providing international guidance and (in-kind) support and tools to the efficient development of financial education in schools.

D. Top-down and bottom-up approach

The involvement of all interested stakeholders, especially those in the education system, should preferably be secured through both a top down and a bottom up approach. In this respect, the development of memoranda of understanding between concerned partners may be considered to facilitate the smooth and efficient implementation of the programme, and to ensure clear accountabilities.

III. Designing and promoting efficient means and methods

Adequate supporting tools and means should be identified, devised and made available to key stakeholders in the education system to facilitate the efficient introduction of financial education in schools.

A. Appropriate information and training of teachers and other school staff

Appropriate training should be made available to ensure that teachers and other relevant school staff (such as school leaders) are adequately equipped and feel confident and competent in building students’ financial competencies.

Such training should be put in place for all teachers who may be in a position to deal with financial education in the classroom either as a stand-alone subject or through other topics (e.g., mathematics, economics, social sciences, home economics, citizenship, literature or history). It should take place as part of the initial teacher training/education (that is, a pre-service course before entering the classroom as a fully qualified teacher), and carried on regularly as part of teachers’ continuous professional development.

The main goals of this training should encompass:

- raising teachers’ awareness on the importance of financial education in lifelong learning;
- providing them with pedagogical methods to use available teaching resources; and,
- developing teachers’ own financial literacy.

Box 2. Managing Possible Conflicts of Interest Relating to Private Financing and Involvement in Financial Education in Schools

Several means can be considered and established to monitor private funding and manage possible conflicts of interest with the commercial activities of financial institutions involved in financial education in schools:

- Public authorities or independent not-for-profit institutions (such as self regulatory bodies) can channel and monitor the use of private funding;
- Private funding can be combined with public money;
- In-kind private resources (such as the provision of materials, the development and organisation of training or the intervention of private volunteers in the classroom) should, as far as possible, be the subject of certification (quality marks) or accreditation by public authorities or an independent not-for-profit organisation;
- Rules and standards can be developed to ensure the objectivity of private initiatives in a school context (e.g., avoidance of the use of logos and brands); and,
- Any direct intervention of private volunteers in the classroom should be conducted under the close oversight of teachers and/or the education system’s management at large.
Such training should be provided by qualified staff following predefined guidance. Trainers for teachers should in particular possess a sound knowledge of the education system, the requirements of the financial education learning framework, and of efficient pedagogical tools and resources on financial education. If such trainers do not exist, priority should be given to developing the skills of the trainers.

B. Availability and provision of high quality, objective and effective tools

Availability of, and easy access to, high quality, objective and efficient material and pedagogical methods should be secured and actively promoted with a view to offer teachers the best resources on financial education.

In order to do so, it may be necessary, in some countries or jurisdictions, for government or relevant public bodies to:

- map and assess the quality of available materials and resources such as books, brochures, guides, on-line tools, case studies, games, surveys and pedagogical methods; and,
- select most relevant tools and material to be provided to teachers and schools.

In others, it may be necessary to develop such resources from scratch.

In both cases, criteria and principles for the identification and development of suitable tools should be established (see Box 3). Financial education resources made available in a country or a jurisdiction should be assessed by a governmental or independent body according to these criteria. Such a body should preferably introduce a special quality mark or accreditation acknowledging resources matching these criteria.

The appropriate resources should then be made easily accessible to schools and teachers possibly, through a single trusted source or through relevant public authorities (e.g., government, financial regulators; well-known and public or independent website; education system; local network, etc.).

A single source (or maybe several sources) can act as a clearing house on financial education materials available for the classroom. A central source should thus be well organised, and contain clear signposting in order to allow the easy identification of materials and tools according to age, grade, contents and learning outcomes to be achieved.

A central source should also be actively promoted to teachers so that they are aware of the existence of this support and know how to access it.

C. Promotion of appropriate incentives

In order to encourage deeper involvement and motivation of teachers and students in financial education programmes, appropriate incentives can be put in place, such as:

Recognising achievements through:

- Regular examination of students in order to monitor progress;
- Setting community and national outcome goals in order to evaluate performance;

Box 3. Criteria for Identification and Development of Suitable Resources on Financial Education

With a view to efficiently embedding financial education in schools, related resources and pedagogical methods should preferably encompass the following characteristics:

- be in line with the requirements of the national/regional/local learning framework on financial education, and with any national curriculum guidelines of the country or jurisdiction;
- be adapted to students according to their age, talents, needs, aspirations and background; be culturally and gender inclusive and evolved following the school curriculum;
- be relevant for students, taking into account their interests and potential access/use of financial products;
- emphasise the benefits of financial literacy for students’ future well-being;
- be objective and marketing free (e.g., avoiding the use of financial firms’ logos and promotion of particular financial products);
- be of high-quality, diversified, engaging and attractive for students, using real-world contexts, case studies, inquiry/activity-based learning and problem solving approaches or community-based activities directly involving students (e.g., through simulation, games and interaction with the concrete world);
- make use of the benefits of cross curricular approaches where relevant (e.g., taking advantage of the possibility to include financial education in diverse subjects);
- involve the monitoring of progress and the quantification of impact on students throughout the curriculum and at its end (through examinations); and,
- be trialed to evaluate their relevance and efficiency with teachers, parents and the community as well as students.
• Organisation of special school, local, regional or national contests with the granting of awards and prizes. Making financial matters more visible and attractive through:

• Organisation of special events on financial education (e.g. ‘money’ or ‘saving’ days/weeks) with the participation of well-known community stakeholders;

• Designing teachers’ training on financial education so that they perceive it as a component of their personal development and as a way to improve their own financial well-being; and,

• Similarly, focusing the teaching of financial literacy in schools on the (immediate) positive outcomes for students, their parents and the community.

D. Exchange and promotion of international good practices

The development of internationally recognised guidelines and practices and strengthening of policy dialogue and cooperation on the exchange of good practices are also instrumental to the efficient and successful introduction and implementation of financial education in schools. Such guidelines can help policymakers and involved stakeholders in designing and successfully implementing their own strategy on financial education in schools building on, and tapping into, relevant experiences and internationally recognised good practices.
Guidance on Learning Frameworks on Financial Education

Definition

A definition of the overall objective for financial education programmes is the first main component of related learning frameworks. In most cases, depending on countries’ or jurisdictions’ culture, this is referred to as either financial capability or financial literacy, but basically involves a similar content.

Such definition encompasses the competencies that students need to develop in order to make effective and responsible financial decisions in their daily life and when they become adults. Competencies cover financial knowledge, understanding, skills, attitudes and behaviours and the ability to use these effectively.

The definition may focus solely on the personal use and management of money and the impacts of financial decisions on the lives of individuals or it may include a broader perspective that takes account of the interaction between personal financial decision-making and wider society and environment.

Purpose and Goals of the Framework

Purpose

A financial education learning framework is defined as a planned and coherent approach to financial education in the formal school sector at the national, regional or local level. A financial education learning framework should operate at a meta-level, providing overall learning outcomes or standards for financial education. The framework can then be implemented at the national, regional, local, school or classroom level in the way that is most appropriate for the context.

The framework should begin by explaining its purpose, including:

- Who developed the framework and the development process;
- When the framework was developed;
- The overall aims of the framework;
- How the framework supports the achievement of national, regional or local curriculum objectives;
- Whether the framework has been endorsed and, if so, by whom.

Providing the framework on a web-based platform enables easy access and distribution and for links to be made to relevant supporting information such as teaching resources, assessment tools and relevant curricular materials.

Goals

The overall goals and objectives of the framework should be reflected in a more detailed description of the dimensions of financial literacy. These may include a description of the specific outcomes that students are expected to develop and that will be covered by the financial education programme. The following dimensions can be considered and included:

- Knowledge and understanding;
- Skills and competencies;
- Behaviours;
- Attitudes and values;
- Entrepreneurship.

The descriptions of each of these dimensions should reflect the focus on personal and/or collective aspects needed to be consistent with the definition of financial literacy in the framework.

These descriptions are important in developing teachers’ understanding of financial literacy.

Learning Outcomes/Standards

The framework should provide a description of the desired learning outcomes. These should be related to each of the dimensions of financial literacy.

Outcomes may be statements of the overall outcomes for each of the dimensions or they may be shown as a learning progression across years or curriculum levels. The latter shows the way that the specific dimensions of financial literacy are progressively developed as students move through their schooling career.

Approach to Inclusion of Financial Education in the Curriculum

The framework should describe the overall approach to the inclusion of financial education in the curriculum. This should be consistent with the overall approach to the curriculum.

In countries or jurisdictions where national curriculum objectives are outlined but schools have considerable discretion as to how these are implemented at the local level, financial education will not easily be introduced as a compulsory component. The framework may describe how financial education supports the achievement of national curriculum objectives and provide guidance as to how financial education can be integrated into existing subjects or a cross-curricular approach taken. In a cross-curricular approach, financial education is recommended as an engaging and real-world context in which other curricular objectives can be achieved alongside financial education objectives.

In countries or jurisdictions where a more centralised approach is taken, financial education may be mandatory. There is a range of ways for this to occur including as a stand-alone subject; as an explicit module or component of one or more subjects; or integrated into relevant subjects at
The framework generally provides a list of suggested topics. These should not solely be based on developing knowledge and understanding but should also enable students to explore and develop values, attitudes, skills and behaviours.

Where financial education is mandatory or explicitly included as a stand-alone subject or as a module of a subject, the length of the course should preferably be explicitly stated. In other cases, the amount of teaching time given to financial education is not stated.

The framework generally describes the recommended or suggested content for financial education. These should be related to the overall outcomes described in the definition, and the dimensions of financial education set out in the learning framework.

The framework generally provides a list of topics, themes or issues that can be included in the financial education programme. These may be linked to specific subject areas or they may be presented in a way that they can be incorporated in a range of subject areas. Topics that are most commonly included in financial education learning frameworks are:

- money and transaction;
- planning and managing finances (including saving and spending; credit and debt; financial decision-making);
- risk and rewards;
- financial landscape (including consumer rights and responsibilities and understanding of the wider financial, economic and social system).

The topics should be relevant to the concerns of students at specific year levels but, at the same time, recognise that financial education needs to prepare students for adult life.

**Resources and pedagogical tools**

The framework can also provide guidance about the teaching methods that are most effective in developing financial literacy. These may include a description of the overall recommended approach such as using real-world, relevant examples, or inquiry-based learning. Teaching methods should not be solely focussed on developing knowledge but they should provide engaging contexts in which students can develop skills, attitudes and behaviours. Opportunities for students to practice their skills and develop behaviours in authentic and engaging contexts should be recommended and examples provided. Interactive and experiential learning opportunities are recommended.

As well as classroom-based learning, suggestions for learning outside of the classroom such as through extra-curricular activities can be provided.

The framework can provide case studies of the ways that schools and teachers have effectively taught financial education.

Professional development for teachers and administrators can be provided by the relevant authority in support of the financial education framework and to develop teachers’ capability to teach financial education. In some cases, the private sector or not-for-profit organisations may offer professional development, teaching and learning materials and/or volunteers who may be available to visit classrooms. Guidance should be given in the framework about ways to avoid conflicts of interest and to ensure that suitably qualified and, in some cases, approved providers are selected by schools.

**Assessment of Students’ Learning in Financial Education**

The framework should provide guidance about appropriate methods for assessing financial education learning outcomes. This should be consistent with approaches to assessment in other areas of learning and for the year level of the student. It is recommended that assessment of skills is included as well as assessment of knowledge and understanding. Assessment involving students in problem-solving and real-world contexts are recommended so they have the opportunity to demonstrate their competencies. Examples of assessment activities may be provided.

Examination of students’ achievement should be considered whenever possible. If so, the examination process and criteria need to be outlined in the framework. This includes information on the levels at which students will be examined and whether there will be a stand-alone examination for financial education or whether it will be included in the examination of the relevant subjects. In some cases, formal recognition of student achievement in financial education can be provided by certificates, qualifications or credentials.

**Monitoring and Evaluation**

Monitoring of the framework can occur at the local school level or at the national or regional level.
At the school level, the framework can provide guidance to administrators and teachers to support the planning and implementation of the financial education framework. This includes ways to monitor the outcomes of the financial education programme and the extent to which it is being progressively and consistently implemented across the school at the appropriate levels. This is of particular importance where financial education is not mandated and where schools and teachers are given discretion about how they incorporate financial education outcomes into their teaching programmes. In countries or jurisdictions where external agencies review schools, it may be appropriate to include a review of financial education provision and outcomes in relation to the financial education framework.

At the national or regional level, the implementation and outcomes of the financial education framework should be evaluated. This may be an independent evaluation that can be used to inform the development and implementation of the framework. An evaluation will provide evidence of the effectiveness of the framework in achieving the desired outcomes in terms of increasing financial literacy.

References

OECD Recommendations
OECD (2009), Recommendation on Good Practices on Financial Education and Awareness relating to Credit.

OECD/INFE instruments and relevant outputs

Evaluation Results of the High School Financial Education Program in Brazil

Introduction

Navigating today's financial markets can be a difficult task. Financial systems have grown in complexity and sophistication, which poses new demands on the capacity of financial planning. Consumers face an array of complex financial decisions regarding credit, savings, insurance, retirement, housing, and education, in some cases outpacing the degree of financial literacy in the population.

In Brazil, the need for improved financial education is particularly pressing. A survey conducted by Instituto Data Popular in 2008 showed that 82% of Brazilian consumers were unaware of the interest rate when borrowing money, that overdue loan installments were mostly caused by poor financial management, and that saving rates are low, even among affluent families.

To improve the state of financial literacy in the population, the Brazilian Government recently launched the Estratégia Nacional de Educação Financeira (ENEF), a priority initiative with key partnerships between Banco Central do Brasil, Comissão de Valores Mobiliários (CVM), Superintendência Nacional de Previdência Complementar, and Superintendência de Seguros Privados (SUSEP). The goals of this national strategy are to develop personal finance skills, to stimulate savings, and to broaden the use of financial products among Brazilians, thus improving their financial well-being. Since personal finance is not taught systematically in the Brazilian school system, a pilot program on teaching financial literacy to high school students was introduced in 2010 as part of the ENEF. This program integrates financial education with the school curricula and incorporates 72 case studies on financial literacy into Mathematics, Portuguese, Science, Geography and/or History classes.

The pilot study is now complete and this document summarizes the main findings. The purpose of the pilot was to apply rigorous economic research methods in order to identify the direct causal impact of financial education on student and household financial knowledge, financial attitudes, and financial decision-making. The results from this pilot will provide valuable insight into which aspects of financial literacy are useful and which financial decisions they affect for both students and their parents. These insights can then be used to improve the content and delivery of financial education programs as they are scaled-up in other parts of the country and abroad.

ENEF partnered with the World Bank in implementing and evaluating this pilot study. The World Bank has extensive experience in implementing randomized evaluations throughout the world and provided technical expertise for this pilot study. Further, the Centro de Políticas Públicas e Avaliação da Educação (CAEd) applied its expertise in the design and implementation of the student surveys. Finally, ENEF relied on key project partnerships with private sector organizations such as Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA), BM&F BOVESPA, and Federação Brasileira de Bancos (FEBRABAN).

The pilot study design was based on random assignment, a research method that is often used in medical trials. Specifically, schools were randomly selected, through a process similar to a lottery, to be either in the “treatment group” or the “control group.” High school students in “treatment group” schools received the financial education program, while those in the “control group” schools did not receive financial education during the pilot phase. By comparing students in treatment schools to students in control group schools, the random assignment method helped determine whether the school-based financial education program led to changes in financial knowledge, attitudes, and decision-making.

While a handful of financial education evaluations have been conducted in other countries, the Brazil study is very unique. It is the first and only randomized evaluation of a financial education program in schools, and hence will provide unprecedented insights into whether these types of programs are effective in the school-aged population. Moreover, this study is one of the largest randomized evaluations in any country and on any target group—the study encompasses nearly 900 schools and 26,000 students across the five Brazilian states of São Paulo, Rio de Janeiro, Ceará, Tocantins, Minas Gerais, as well as the Distrito Federal.

The study spanned two academic years of schooling, from August 2010 to December 2011. During this period, two follow-up surveys were conducted of the students and parents, the first in November 2010, and the other in November 2011. In addition, a baseline survey was conducted at the beginning of the program, in August 2010. The analysis and results are derived from all three data sources.

Despite the extremely short period of the first follow-up survey in November 2010, we found that the financial education program led to significant improvements in students' financial knowledge, attitudes and behavior. Specifically, our results indicated that the program led to higher financial proficiency, financial autonomy and intention to save; enhanced savings and spending behavior; and increased participation in household finance. Our findings from the November 2011 survey confirm that these effects are long-lasting and do not dissipate over time.

In addition to surveying students, the program also included surveys of parents and a parents' financial education workshop. The student program included take home exercises that were meant to be completed with parents, such as making a household budget. The results show that a significantly greater number of parents report students discussing financial matters at home and that basic financial knowledge of parents themselves improved.
In the parent financial education workshop, a group of randomly selected parents saw a video that emphasized sound financial management and the importance of savings. This workshop had large positive impacts on the fraction of parents who make a list of expenses, as well as on savings rates among students.

**Timeline of the Evaluation**

The study was launched in spring 2010. Participating schools were randomly divided into treatment and control groups during the months of April and May 2010. Subsequently, in early August 2010 and before the program was rolled out, a baseline survey was conducted among students and parents in both treatment and control schools to assess pre-program financial knowledge, attitudes, and behavior.

Immediately following the baseline survey, the financial education program was implemented in treatment schools. In mid-August 2010, teachers began using the financial literacy materials in the classroom. The program continued till November 2011, for a total of 3 semesters of financial literacy education among high school students.

Over the course of this study, two rounds of follow-up surveys were conducted to measure the effect of the program. The first follow-up survey was implemented in early December 2010, only four months after the program started. The result of this survey allowed us to investigate the initial, short-term effects of the program. A second follow-up survey was implemented in December 2011 to assess the longer-term impacts.

In addition to the student intervention, an evaluation of a financial literacy program for parents of students in treatment schools was introduced. The purpose of this training was to reinforce the messages taught to students in class, and to measure the combined impact of parent and student interventions on household level financial outcomes and decision-making.

**Student and Parent Baseline Characteristics**

The baseline survey indicated that about 56% of students participating in the study are female, 51% have some form of income (from work or from parents) and about 37% are working. Additionally, 32% are beneficiaries of the Bolsa Família Program. About one third of the students’ parents finished high school and 62% have a computer and internet at home.

**Results**

We analyze the impact of the financial education program on the following dimensions of student outcomes: financial proficiency, financial autonomy and intention to save, actual saving and spending behavior, and participation in household finance. Since our research methodology uses random assignment, we compare the averages between the treatment and control groups, and conclude that any difference between the two groups is due to the financial education program.

**A. Financial proficiency**

To examine the impact of the program on students’ financial knowledge, CAEd developed a test tailored to the program’s material and objectives. This test was administered at baseline and at follow-up surveys in both the treatment and the control group. Based on this test, CAEd calculated the level of financial proficiency for each student, ranging from 0 to 100, where 100 is the highest possible score.

**Figure 1. Impact on Financial Proficiency**

Follow up test scores indicate that the average level of financial proficiency is significantly higher in the treatment group than in the control group in follow-up 1 as well as in follow-up 2, as shown in Figure 1. This difference of 4 points and 3 points, respectively in each follow-up round implies that the financial education program among high school students led to a 5-7% increase in financial knowledge as a result of financial literacy curriculum.

It is important to note that follow-up 1 and 2 results are not directly comparable as there is significant movement in the student body in the interim period. Hence, while it is reassuring that the results remain significant and robust, we did not expect follow-up 2 results to be stronger since the underlying treated population changed over time.

**B. Students’ Financial Autonomy and Intention to Save**

The next outcome measures that we consider are students’ financial autonomy and intention to save. Both of these measures were developed by CAEd as well, following methods that have been used in previous studies in psychology. In the survey, students were asked to what extent they agree or disagree with statements such as “I like to think carefully before deciding to buy something,” “I always try to save money do things I really like,” “In my opinion, savings money every month is extremely beneficial,” and “I believe I can save a little every month.” Based on responses to these questions, CAEd created aggregate measures of financial autonomy and intention to save.

We find that in both follow-up surveys, students in the treatment group obtained higher scores on the autonomy scale than students in the control group. Specifically, the average financial autonomy score for students in the treatment group is 51, compared to 49 in the control group in follow-up 1 and 52 in the treatment group, compared to 51 in the control group in follow-up 2. Furthermore, we find that students in the treatment group had a higher measured intentioned to save (measured at 51) than those in control group (measured at 49) at follow-up 1.
In follow-up 2, students in the treatment group had an intention to save score of 53 compared to 51 in the control group. These results are presented in Figures 2 and 3 below.

**Figure 2. Impact on Financial Autonomy**

![Average financial autonomy index](chart)

**Figure 3: Impact on Intention to Save**

![Average intention to save index](chart)

**C. Actual Saving and Spending Behavior**

While the outcomes we previously examined are based on intended financial behavior, several questions from the follow-up surveys also allow us to determine whether these intentions translate into actions. In particular, the surveys asked students whether they do in fact save a fraction of their income. At the time of the second follow-up survey, 65% of students had some form of income (from work or from parents) and about 42% were working. Furthermore, the surveys asked students about their spending habits: whether they make a list of all expenses every month and whether they negotiate price and/or payment method when making a purchase.

Results from the surveys indicate that students in the treatment group exhibit significantly improved savings and spending behavior relative to the control group. A higher percentage of students in the treatment group save at least some of their income (63% in treatment compared to 59% in control at follow-up 1; and 59% percent in treatment compared to 55% in control at follow-up 2) and make a list of monthly expenses (16% in treatment compared to 13% in control in follow-up 1; and 17% in treatment compared to 14% in control in follow-up 2). Additionally, a higher percentage of students in the treatment group say that they often negotiate prices or payment methods when making a purchase (78% in treatment compared to 74% in control in follow-up 1; and 77% in treatment compared to 74% in control in follow-up 2). These results are plotted in Figures 4 through 6 below.

**Figure 4. Impact on Percentage of Students who Save**

![% of students who save a non-zero amount (includes students with income only)](chart)

**Figure 5. Impact on Listing Expenses**

![% of students who make a list of expenses](chart)

**Figure 6. Impact on Price and Payment Method Negotiation**

![% of students who negotiate price and/or payment method when making a purchase](chart)

**D. Student Participation in Household Finance**

Finally, we investigate whether financial education had any impact on students’ participation in household finances. In addition to follow-up surveys administered to students, separate surveys were given to parents. The parent surveys
contained questions to determine whether the student talks to his/her parent about finances, and whether the students is involved in organizing the household budget.

We find that a larger percentage of students in the treatment group talk to their parents about finances and participate in organizing the household budget. As shown in Figure 7, a significantly greater proportion of parents of students in the treatment group reported that their child talks to them about finances in both follow-up surveys. Figure 8 shows similar positive effects for students helping organize household budgets.

Overall, these results suggest that the financial education program was effective in increasing students’ financial participation in the finances of their household.

E. Impact of Parent Workshop

A randomly selected group of parents of treatment school students participated in a financial education workshop that took place between the first and second follow-up surveys. This workshop had a large positive effect on the percentage of parents who make a list of expenses. In the second follow-up survey, 35% parents who did not participate in the financial education workshop made a list of expenses, but this number was 41% for parents who participated in the workshop. The parent workshop also significantly increased the savings rate among students. At the time of the second follow-up survey, students whose parent did not participate in the workshop saved on average 16.5 percent of their income. In contrast, students whose parent participated in the financial education workshop saved 20.5 percent of their income.

Conclusions

Our results suggest that the high school financial education program increased students’ financial knowledge, and improved students’ financial attitudes. The program also led to changes in student financial behavior. Specifically, due to the program, students were more likely to save and manage their expenses, to talk to their parents about financial matters, and to help with organizing the household budget. These effects were present in both the short and long-term, hence affirming the longevity and sustainability of such training.
Measuring Financial Literacy and Capability

Development of the World Bank Financial Capability Survey
OECD/INFE Measurement Tool on Financial Literacy and Results of the First Pilot Survey
The Global Findex Database
Case Studies: Mexico and Papua New Guinea
Objectives

The financial capability measurement work managed by the World Bank has the objective to develop new methods for assessing levels of financial capability in a way that is relevant for low and middle income environments and that can be used consistently across countries to conduct international comparisons. The measurement instrument developed by the Trust Fund will provide a diagnostic tool that policy makers can use to identify the key areas of behavior, skills, attitudes and knowledge that are related with financial capability and need improvement, and to determine which groups of the population are the most or least capable, in order to inform the design of targeted interventions in the area of financial education and financial capability enhancement.

In order to define an appropriate conceptual framework and to develop a survey instrument that is suitable for use across different countries and income levels, the World Bank is following a rigorous process involving both qualitative and quantitative research methods to understand how the concept of financial capability can be measured in these settings. For this purpose, the Trust Fund has involved an international team of experts in financial capability and in questionnaire design, and it is supporting research projects in a group of eleven low and middle-income countries (Armenia, Colombia, Lebanon, Malawi, Mexico, Namibia, Papua New Guinea, Tanzania, Turkey, Uruguay, and Zambia) to help develop and test the methodology.

The final output of the activities will include a survey questionnaire and related operational guidance for survey implementation, documented data sets from the surveys carried out in the pilot countries, and a detailed report on methodology development supported by analysis of the survey data. The questionnaire has already been developed and fieldwork is currently ongoing in the pilot countries. The data collection is expected to be completed in the summer 2012, and reports and data analysis will be completed in the fall.

This note provides a short overview of the methodological approach and process followed by the World Bank for developing the survey questionnaire.

Methodological approach

Designing the questionnaire

The key objective is to develop and test a new instrument that is applicable across different income levels and different cultures. This is a particularly challenging task since there is still very limited evidence on what matters for financial capability in developing countries, and the existing surveys carried out in high-income countries may not be entirely relevant, because they rely heavily on questions about the use of financial services or about knowledge of financial concepts that are difficult to understand for people with lower educational attainments and limited access to these services.

In order to develop a new questionnaire, the conceptual framework for financial capability needs to be tailored to these settings through an extensive preliminary research phase to identify the key aspects to be covered in the survey. This was done by following the same approach adopted in the UK Financial Capability Study done by the Financial Services Authority (FSA, 2005). The key feature of this approach is that, similar to the psychometric literature for measuring intelligence or personality traits (Spearman, 1904), it assumes that financial capability like other types of abilities cannot be measured directly, but it is possible to identify manifestations of this capability through behaviors, attitudes, skills and knowledge. There are two main ways to identify these manifestations: one is to let the researchers determine what kind of behaviors, attitudes, skills and knowledge can be considered as indicative of financial capability according to economic theory, and the other is to determine this empirically, for example by conducting qualitative research in the environment of interest to see how the general public defines a financially capable person. Since little is known about these issues in the context of developing countries, the World Bank has adopted this second, more exploratory approach.

Similarly to the FSA study, focus group discussions in the participating countries were used to identify behaviors, attitudes, skills and knowledge that indicate financial capability or incapability. These would form the core topics to be included in the questionnaire. The use of qualitative research methods to identify empirical indicators for instrument development has been used extensively in psychology and in the marketing research literature (Churchill, 1979), where qualitative methods such as focus groups where originally introduced (Calder, 1977). More recently, these techniques have been used in health care research (Pett et al., 2003) and indicated in official guidelines for the construction of patient-reported outcome measures (FDA, 2006).

The next step after the analysis of the focus groups was the identification of existing questions (where available) or the design of new questions about the key concepts emerged from the focus groups. The expert team consulted a review of 26 existing national and international surveys that had been compiled for the OECD under the same Trust Fund, in order to include as many questions as possible that had already been tried and tested. The relatively small number of gaps
that were left were filled by the expert team who collectively designed questions to be tested. The main criteria to select and design the questions were that the questions should:

- capture a key topic identified in the focus groups;
- work across countries and apply to the whole population (be culturally neutral and income neutral);
- be unambiguous;
- discriminate between more capable and less capable people;
- avoid scales based on value judgments;
- allow the use of different statistical tools for data analysis, including principal component analysis.

Two rounds of cognitive interviews were then used to test alternative questions for the same topic, alternative wordings for the same question, and to identify appropriate pre-coded replies.

The questionnaire developed at the end of this process was then tested in quantitative pilot surveys with about 100-200 individuals per country. This additional phase was used to refine the questionnaire, to test the respondent selection and fieldwork protocols, and to conduct some preliminary analysis. The revised questionnaire is currently being used for the full-scale surveys under implementation in the pilot countries.

The next section presents the analytical approach for constructing measures of financial capability, and section 3 describes the implementation and key lessons learned for each phase of the questionnaire development process. Section 4 presents the structure and content of the questionnaire, and section 5 reviews the sampling guidelines provided for survey implementation.

**Developing measures of financial capability**

Like other types of abilities, skills or personality traits, financial capability is a quite abstract concept that cannot be measured directly, but may be thought of as reflected in a combination of behaviors, skills, attitudes, and knowledge. The objective of this project is to construct measures of financial capability that take into account this multi-faceted nature.

Quite consistently across countries, the focus groups have indicated a set of behaviors, attitudes and skills that denote a financially capable (or incapable) person. In order to construct a valid measure of financial capability, it is necessary to test with appropriate statistical methods whether all these concepts are associated with the same underlying capability, or if there exist more than one domain of financial capability, that are somehow related but cannot be described by a single index. Results from the UK study showed that there were four key domains of financial capability (managing money, planning for the future, choosing products and staying informed), and that it was not meaningful to construct a single measure of financial capability. Whether this is also true for the countries involved in the Trust Fund research project is an empirical question that will be addressed in the analytical stage.

Principal component analysis will be used to identify the key domains of financial capability and to construct scores of financial capability in each domain. By exploiting the correlation structure of a group of observed variables, this method identifies common underlying (and unobserved) factors that can explain the variation of these variables. Once the analysis is completed, a score can be constructed from the observed variables as a measure of the underlying factor (or domain of financial capability, in this case), by weighting each variable based on the correlation between that variable and the underlying factor. Principal component analysis is also helpful in discriminating between questions that are highly correlated with the underlying factors, and those that are not, and it can therefore be used to reduce the number of questions required to measure capability in each domain.

Once the principal component analysis is completed, it will be possible to analyze the distribution of financial capability scores in the population. Cross tabulations and standard regression techniques will be used to understand how financial capability scores vary with socio-demographic characteristics such as age, gender, education, household composition, employment status, income, etc. Further analysis can then be done to understand how capabilities in each domain are related to each other (for example, if respondents who are better at day-to-day money management tend to be also better in choosing financial products). In particular, a second-order principal component analysis can be done to assess whether it is actually possible to construct a single score for overall financial capability.

Cluster analysis will then be used to segment the population into groups of individuals who have financial capability scores similar to other individuals in their group and different from individuals in other groups. The method involves calculating a measure of similarity between individuals, based on differences in the scores. Then, individuals that have similar scores on the domains being considered are grouped together. The number of groups that will be formed depends on the distribution of the scores and on the relationship between the domains. For example, if a population is composed of only very incapable people and very capable people across all aspects of financial capability (i.e. a person is either very good at every aspect of financial capability or very bad at all of them), we will likely find two clusters. Real-case scenarios will generally be more complex. By segmenting the population, the study will provide useful information for policy makers interested in targeting financial education interventions.

**Questionnaire Development**

The questionnaire developed by the Trust Fund is the result of a long and complex development process, in order to ensure its applicability in a diversity of settings. The guiding principle for the development of the questionnaire was that it should contain questions that are relevant in the setting of developing countries, that are meaningful and easily understood across income and education levels, and that can be used to construct a measure of financial capability that takes into account all the relevant aspects.
The qualitative phase of questionnaire development was carried out in eight countries: three in Latin America (Colombia, Mexico and Uruguay), four in Africa (Malawi, Namibia, Tanzania, Zambia), and one in the Pacific Islands (Papua New Guinea). The questionnaire used in the quantitative testing was slightly modified following a workshop with the country teams, whereas other focus groups and cognitive testing of the questions in these countries. For the quantitative survey pilots, three new countries joined the group from the Middle East and Central Europe (Armenia, Lebanon and Turkey). As of June 2012, the full-scale survey data collection is completed or under implementation in Armenia, Colombia, Lebanon, Mexico, Turkey and Uruguay, while Papua New Guinea and Tanzania are in the pilot phase.

**Focus groups**

**Objectives**

The first step for questionnaire development was the identification of behaviors, attitudes, skills and knowledge that are associated with financial capability by individuals living in low- or middle-income environments. This was done through a qualitative research tool known as focus groups. The participants were asked to describe a financially capable (or incapable) person with minimal intervention by the facilitator, whose role was to get the conversation started and to make sure that every person actively participated in the discussion, without suggesting specific topics or expressing personal views.

**Implementation**

Between 6 and 13 focus groups were conducted in each of the eight participating countries (for a total of 70 focus groups), with different groups of individuals (selected based on age, gender, income, and type of location—rural or urban).

The topic guide for facilitators conducting the focus group discussions was developed by the team of experts and presented at a workshop with the country teams, where the teams were also provided with some training on the style of facilitation that should be used, the type of people to be invited as participants, etc. The original topic guide proposed at the workshop was slightly modified following discussions at the workshop, because some of the country teams were concerned about using too abstract concepts and felt that the discussions needed some minimal framing. For this reason, the final guide started by asking respondents to describe a financially capable or incapable person to get their spontaneous replies, and it then included more specific probes in the areas of money management, planning for the future, selecting and using financial products, getting information and advice.

All the focus groups were recorded and transcribed to facilitate their analysis. For each country, the first focus group transcript was reviewed by the lead expert who noted the main concepts emerged from the discussion onto a thematic grid. This early review helped to detect any problems in the way the focus groups were being conducted and to provide additional guidance to the country teams. The local teams then completed the grids with results from the other focus groups.

The focus group transcripts were then allocated to the experts for review against the thematic grids sent by the country teams, and a master grid was produced by evaluating the results across countries. The master grid listed the key components mentioned by the focus groups and their frequency. Two main areas emerged in describing financially capable and incapable people: day-to-day money management and planning for the future. These results were presented at a second workshop with the country teams where initial suggestions for questions around the proposed topics were also presented by the expert team.

**Key lessons learned**

The focus groups have provided surprising results by showing many similarities among the participating countries and even compared to higher-income countries like the UK. The most notable difference from high-income countries was that there was very limited mention of use or knowledge of financial products and their characteristics as an aspect indicating financial capability. It also emerged that psychological characteristics such as self-discipline, impulsivity, avoiding peer pressure, or action orientation were frequently used by focus group participants when describing financially capable (or incapable) people. The key concepts emerging from the focus groups, which constituted the core of the questionnaire, were focused on the areas of day-to-day money management (budgeting, keeping track of expenses, not overspending, prioritizing expenses, borrowing within affordable limits, etc.) and planning for the future (trying to save, planning for the children’s future, having strategies to cover expenses in old age, etc.).

Understanding the context of decision making proved very important. Although the objective of the project is to measure the financial capability of individuals, it is necessary to take into account the role that the individual has within the household (for example, if the person is only responsible for her own money, or is also responsible for managing the household’s money).

**Cognitive interviews**

**Objectives**

After identifying the key concepts to be included in the questionnaire based on the results of the focus groups, the expert team selected existing questions on these topics from other surveys and designed new questions where necessary. All the questions needed to be tested to ensure that they met the criteria defined at the beginning of the process (applicable to the whole population, income neutral, culturally neutral, discriminating between capable and incapable, etc.), that they had the same meaning across the countries, and that they...
could be understood and answered across education levels.

This qualitative cognitive testing was done by conducting in-depth interviews, in which probes are used after the questions to assess the respondent’s understanding of the question wording. This is also a useful tool to make sure that relevant topics that may arise during the interview are adequately covered in the questionnaire, and that appropriate pre-coded answers are provided. Several questions were initially kept open in order to identify the key answers to be included in the pre-codes.

**Implementation**

Two rounds of progressively more structured in-depth interviews were carried out (about 15 per country in each round, for a total of 117 interviews in the first round and 111 in the second round). After each round, the Trust Fund team and the experts reviewed the interview transcripts and the feedback provided by the country teams, to identify the questions, wording and pre-codes that worked best.

Interviewers were requested to provide written notes or transcripts of each interview, in addition to their feedback on questions that were not understood, that produced inconsistent replies, that were not relevant or did not capture the respondent’s level of financial capability, etc. This feedback, combined with debrief sessions organized between the Trust Fund, the experts and the country teams, informed the subsequent revisions of the questionnaire and the drafting of its pilot version.

**Key lessons learned**

The in-depth interviews stage was very helpful to identify problems with the structure and wording of some questions, particularly those that were taken from existing surveys carried out in developed countries. Respondents with lower education levels had difficulties to understand long questions or questions containing negative forms, to remember some of the pre-codes that were read out after a question, or to use response scales that were not binary (for example, a 5-point agree/disagree scale). To the extent possible, the questions were therefore revised to be short, with a simple construct, and requiring a yes/no type of answer. Since the construction of composite indices through principal component analysis requires answers that are not binary, many questions were split into two questions that will need to be combined in the analysis (for example: Q1: “Do you agree with…?” YES/NO, followed by Q2: “And do you agree/disagree strongly or only to some extent?” STRONGLY/TO SOME EXTENT). As a result of the in-depth interviews, the number of questions was reduced by selecting the questions that worked best for each concept.

The cognitive testing also stressed the need to customize the wording of some questions to the background of the respondent. The main element affecting how the question should be asked was the role played by the respondent in managing the household’s finances: since the object of study is how people deal with the resources they are responsible for, the wording of the questions needed to be slightly adjusted depending on what the respondent was responsible for. For example, people who are only responsible for their own expenses would be asked whether they themselves had money left over after they had paid for necessary items, while respondents managing their household’s resources would be asked whether their household had any money left over.

Relatively abstract concepts such as “managing” could not be used as they were not well understood by lower educated respondents: for this reason, in some cases multiple questions had to be used instead of a single question to make sure that every practical aspect related with the abstract concept was explored (in the case of “managing”: planning, making decisions, being responsible for, etc.). Testing results showed that in some instances asking two questions instead of one took less time because the questions were readily understood by the respondent, without the need for further clarification from the interviewer.

**Questionnaire Structure**

The survey questionnaire developed by the Trust Fund for the national surveys is composed by three parts:

1. an individual questionnaire to be completed by the respondent randomly selected within the household;
2. a questionnaire to be completed by one knowledgeable person for each enumeration area;
3. a questionnaire completed by each interviewer. The core individual questionnaire is divided into several sections with the following purposes: (See the table on next page)
<table>
<thead>
<tr>
<th>Section</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R: Household Roster</strong></td>
<td>Provide information on the type of household the respondent lives in, i.e. to provide data that will allow various typologies based on demographic composition, education levels, activity levels, and decision making. Provide the criteria for determining which household members are eligible to be respondents for the survey, this number of eligible is then used in the Kish table to generate a random selection of the respondent. Note the criteria for being eligible to be a respondent is that the person be 18 years of age or older.</td>
</tr>
<tr>
<td><strong>A: Role in managing money</strong></td>
<td>Collect information directly from the respondent about his or her role in the household and own personal spending. Depending on the answers to these questions, the respondent will then be asked a different set of follow up questions. Identify individuals who really play no role in financial or spending decisions: these people will not be interviewed as we have no means to measure their financial capability.</td>
</tr>
<tr>
<td><strong>B: Day-to-day money management</strong></td>
<td>Understand how people manage their day-to-day money. This includes planning spending, spending on food and other necessary items, keeping track of spending, borrowing, general money management.</td>
</tr>
<tr>
<td><strong>C: Planning</strong></td>
<td>Understand whether people plan for future expenditures, including for: known expenditures, unexpected expenditures or emergencies, old age, for their children.</td>
</tr>
<tr>
<td><strong>D: Financial products</strong></td>
<td>Understand how people choose financial products, whether they check the features, terms and conditions before buying financial products, whether they look for information before buying products and whether they seek advice or information before making financial decisions. Obtain a broad indication of the level of financial inclusion of the individual, by asking which financial products the respondent holds.</td>
</tr>
<tr>
<td><strong>E: Motivations</strong></td>
<td>Capture underlying motivations that influence the way people behave. This includes questions on time preferences, impulsivity, action orientation.</td>
</tr>
<tr>
<td><strong>F: Sources of income</strong></td>
<td>Obtain information on the variations in income that the individual respondent and his or her household faces. To do this, information is collected for all sources of income and then on how total income varies throughout the year.</td>
</tr>
<tr>
<td><strong>G: General questions</strong></td>
<td>Understand whether the respondent seeks information or advice before making important financial decisions. Understand if the respondent would like to have more information about general aspects of money management discussed during the interview, and if so what type of information he/she would like to have.</td>
</tr>
</tbody>
</table>

**NOTE:** Sections B, C and D have two different versions: one for people who are being asked about the money they manage both personally and for the household (these are on WHITE pages), and one for people who are being asked only about the management of their own personal money (these are on GREEN pages).

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The questionnaire completed at the enumeration area level will provide additional explanatory variables about living standards and available infrastructures in the area.

The interviewer questionnaire collects information about basic socio-demographic characteristics of the interviewers and their professional experience. These data, appropriately matched to the main dataset, will be useful in analyzing non-response or other data quality issues.

Optional sections that interested countries may add include: financial literacy, banking, financial inclusion, credit cards, remittances, financial intermediaries, consumer protection.

All these sections were taken from existing surveys.

The questionnaire developed by the Trust Fund is designed to be used in face-to-face paper-and-pencil interviews. When possible, however, computer-assisted personal interviews are very helpful to improve data quality because quality checks can be embedded in the CAPI software and prompt the interviewer when there are inconsistencies in the responses to different questions, or to ensure that answers are in the appropriate range, etc. Due to the cost of the hardware and in some cases to safety considerations, this type of interview is planned to be conducted in only one of the participating countries (Mexico).
Survey implementation

As of July 2012, the survey fieldwork has been completed in participating countries. Datasets and reports on the data collection are expected to be delivered by the country teams in the summer.

The research teams of the participating countries have developed their own sampling strategies, in line with the following broad recommendations provided by the Trust Fund:

1. The survey is a survey of individuals.

2. The sample should be representative of the national adult population (aged 18+). To be eligible for the interview, the respondent must participate in the household’s financial or spending decisions and/or be at least partly responsible for own spending.

3. Probability sampling must be used (the most commonly used method was stratified random sampling) and related standard techniques should be used to determine sample size.

4. Both urban areas and rural areas should be domains of study.

5. It is generally assumed that the sampling frame is a list of dwellings (a sampling frame of individuals was not available in any of the participating countries).

6. The respondent must be randomly selected within the household that is contacted (typically using a Kish table). The initial questions of the survey are designed to determine whether the respondent has any role in managing money and is therefore eligible for the interview.

7. The definition of household is country-specific, in line with use by national statistical offices.

References

OECD/INFE Measurement Tool on Financial Literacy and Results of the First Pilot Survey

I. Introduction

Assessing the national level of financial literacy is a first step in the development of national strategy for financial education. The OECD International Network on Financial Education (INFE) has developed a survey instrument to address the lack of internationally comparable data on financial literacy. The questionnaire can be used to capture the financial literacy of people from very different backgrounds in a wide range of countries.

Such a measurement exercise allows policy makers to identify potential needs and gaps in relation to specific aspects of financial literacy and provides information about which groups of people are in need of most support. The results of this exercise can be taken as a baseline within a country to set benchmarks for financial education initiatives, or can be used to compare levels of financial literacy and progress across populations and financial markets.

The development of the survey instrument involved a stock-taking exercise conducted across INFE members to find out which countries had measured the financial literacy of their population, what methods had been used and whether it would be feasible to create a standard instrument for use across countries. Thirty surveys were identified that it would be feasible to create a standard instrument for their population, what methods had been used and whether it would be feasible to create a standard instrument for use across countries. Thirty surveys were identified that attempted to measure levels of financial literacy. Based on this stock take the OECD INFE identified a set of core questions and prepared guidelines for future surveys, including coverage, design, analysis and reporting.

The core questions comprise good practice questions drawn from existing financial literacy questionnaires. They have been selected because they are applicable to the vast majority of people and are suitable across a wide range of countries. Each question is designed to be asked in the same way in each country, but country-specific responses are possible (for example when respondents are asked about their methods of saving, or types of financial product, their responses will reflect the local financial market). This enables cross country comparisons that are contextually meaningful, while maximising the potential to include all interested countries. There are also questions to provide important socio-demographic details of the participants, including age, gender and income.

After several rounds of comments and refinement, the INFE approved a core questionnaire and countries were invited to pilot it according to an agreed methodology. The questionnaire has so far been used in 14 countries across 4 continents, and data has been submitted to the OECD for analysis. Among APEC countries, Malaysia and Peru took part to the pilot measurement. A final version of the questionnaire has been created following feedback from the countries participating in the pilot, the views of expert INFE members and the results of the analysis process.

This instrument is based on the following definition:

Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Accordingly, the questionnaire focuses on those aspects of knowledge, attitudes and behaviours that are associated with the overall concept of financial literacy. The questions cover a range of contexts, including accessing financial services, meeting immediate financial requirements and planning for the future.

The results from this exercise focus particularly on levels of financial knowledge, the range of financial behaviours exhibited and attitudes towards long term financial plans. These three components can be used to construct an overall financial literacy score, to analyse the relations between financial knowledge, attitudes and behaviours, and to study variations of financial literacy by socio-demographic status.

II. Summary of the results of the pilot

A. The three components of financial literacy

Financial knowledge

A financially literate person will have some basic knowledge of key financial concepts. The OECD INFE core questionnaire therefore includes 8 questions to test levels of knowledge in each country. The questions have been chosen to cover a range of financial topics and to vary in difficulty, although none of them is excessively complex or requires expert knowledge. Of particular concern is the relatively large proportion of people who could not calculate simple interest. Of these, Armenia, Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, South Africa and the UK originally agreed to pilot the survey in late 2010. Albania and the British Virgin Islands used the questionnaire in 2011, following the agreed methodology.


impact of compounding over 5 years. In Peru, fewer than 1 in 5 people were able to apply their knowledge to this two-part question, and in most countries at least half of the population failed to identify the impact of compounding. There was also a worrying low level of awareness of the benefit of diversification, with at least a third and in some cases over half of respondents being unable to answer this question.

**Financial behaviour**

The way in which people behave will have a significant impact on their financial wellbeing. It is therefore important to capture evidence of behaviour within a financial literacy measure. The OECD INFE core questionnaire does this by asking a variety of questions in different styles, to find out about behaviours such as thinking before making a purchase, paying bills on time and budgeting, saving and borrowing to make ends meet.

There is a wide variation in behaviours within countries, and noticeable variation across countries. However, of concern in all the countries surveyed is the lack of active, informed market participation: very few people reported that they had shopped around and sought independent information or advice to make a financial product choice in the 2 years prior to interview. UK participants were the most likely to have consulted independent sources, at 16%, while only 4% in Peru had done so.

In some of the countries, the lack of active saving is also a concern, although here there are large variations by country. In Hungary just 27% had been saving in the previous 12 months whilst in Malaysia almost everyone had done so (97%). The likelihood of setting long term goals also varies by country: more than 7 in 10 Peruvians reported that they did set long term goals, compared with just 3 in 10 Albanians.

Whilst borrowing to make ends meet is not widespread, it is a problem for a large minority in certain countries. In particular, almost half of Armenians had resorted to borrowing the last time their income fell short of their expenditure; in Peru over a quarter of respondents had also done so.

Looking across the various behaviours we see considerable variation within a country. For example, a large proportion of Malaysian respondents were active savers and carefully considered their purchases, yet hardly any (3%) had made a recent financial product choice after shopping around and seeking independent guidance.

**Attitudes**

Attitudes and preferences are considered to be an important element of financial literacy. If people have a rather negative attitude towards saving for their future, for example, it is argued that they will be less inclined to undertake such behaviour. Similarly, if they prefer to prioritise short-term wants then they are unlikely to provide themselves with emergency savings or to make longer term financial plans.

The financial literacy survey includes three statements to gauge respondents’ attitudes towards money and planning for the future. The attitude questions ask people about whether they agree or disagree with particular statements, to capture their disposition or preferences.

There is a very wide variation in attitudes across countries: in Armenia, just over 1 in 10 people have a positive attitude towards the longer term; compared with 71% in Peru.

Looking at the questions in detail, we find that very few respondents in Armenia (8%) and Poland (19%) got satisfaction from saving. In contrast, 64% of Peruvians found saving satisfying. Peruvians were also very conservative with money, with almost half of respondents (45%) disagreeing that money is there to be spent.

**B. Overall indicators of financial literacy**

The analysis of the combination of three components offers interesting insights. Table 1 shows the proportion of the population achieving high scores on each component, illustrating important variations. In 8 of the countries surveyed, a larger proportion of the population achieved a high knowledge score than a high behaviour score; indicating that levels of financial literacy in these countries are higher in terms of knowledge than behaviour. Conversely, in Germany, Malaysia, Norway, Peru, South Africa and BVI countrywide financial literacy levels are higher in terms of behaviour than in knowledge; in most cases this is because a larger proportion of the population exhibit 6 or more positive behaviours, rather than because knowledge is exceptionally low.

Each of the columns reports % of respondents gaining a high score. The financial knowledge score counts the number of correct responses given by each respondent (out of 8). A high knowledge score indicates the proportion of the population in each country that exhibited 6 or more correct responses. The financial behaviour score counts positive behaviours exhibited; it takes a maximum value of 9, and a score of 6 or more is considered to be relatively high. The attitudes score ranges on a scale from 1 to 5 and we consider a high score to be above 3.

We have also counted the number of high scores each respondent achieved. In all of the countries surveyed, typically people tend to have 1 or 2 strengths. Germany and BVI stand out with over 30% of their populations achieving 3 high scores, indicating high-levels of financial literacy. Around 1 in 5 respondents in Peru and Malaysia achieved 3 high scores.

In addition to counting the high scores, we have summed the three scores into an overall indicator of financial literacy which takes values from 0 to 22. The average of this combined score across all participating countries is 13.9. Scores in Malaysia and Peru are above this combined average.

**C. Relationship between behaviour and the other two components**

Analysis of financial knowledge scores and financial behaviour scores indicates a consistently positive association between financial knowledge and behaviour for each participating country.
Respondents with higher financial knowledge exhibit more positive behaviours. Similarly, respondents with positive attitudes towards the longer term exhibit more positive behaviours than those with a strong preference for the short term.

**D. Variations by socio-demographics**

It is clear that levels of financial literacy vary within countries and it is therefore useful to know more about how they vary across particular socio-economic groups.

The findings of analysis by socio-demographics show that women have much lower levels of financial knowledge than men in almost all of the countries studied. So for example, whilst 54% of men in Malaysia gained a score of 6 or more on the knowledge measure, just 48% of women achieved the same; in Peru the corresponding percentages are 45% and 35%. In none of the countries studied do women score more than men on the combined measure. Indeed in Albania, Armenia, Germany, Norway, Poland, South Africa, the UK and BVI women score significantly less.

There is a noticeable variation in financial literacy by age and income. In most countries, middle age is associated with higher levels of financial literacy, whilst the oldest and youngest respondents are more likely to have no high scores. Regression analysis confirms that higher income respondents are more likely to gain high scores than their lower income peers. Similarly, there is also a positive relationship between education and financial literacy. Higher educated individuals are more likely to exhibit positive behaviours and attitudes as well as show advanced levels of knowledge.

**E. Using the OECD/INFE Financial Literacy Tool**

This exercise shows that it is possible to apply the same set of questions to very different populations around the world and create simple, meaningful indicators of financial literacy.

The results of this analysis provide evidence from which the participating countries can identify needs and gaps and develop appropriate national policies and strategies. They also provide a sound evidence base from which to inform national strategies for financial education.

As the set of core questions is relatively small, yet comprehensive, it can be used as a standalone instrument or be included into broader household surveys. Moreover, the core questions are accompanied by a number of supplementary questions that can provide additional information about financial literacy within a country.6

Various institutions are using the final version of the core questionnaire to measure financial literacy in their countries, and others have expressed an interest in doing so. The OECD INFE is also encouraging its members to regularly use the core questionnaire in order to monitor progress.

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References


**OECD/INFE CORE QUESTIONNAIRE FOR MEASURING FINANCIAL LITERACY**

**INTERVIEWER:** BEGIN BY INTRODUCING YOURSELF AND THE SURVEY USING PRE-DETERMINED TEXT > THEN READ OUT: I would like to start by asking you a few background questions, so that we can put the main part of the survey into context.

**QDi) Interviewer to record gender**
- a) Male
- b) Female

**QDii) Interviewer to record or ask and record rural/urban**
*If asked: Which of these best describes the community you live in?*
**READ OUT LIST, and mark first relevant response**
- a) A village, hamlet or rural area (fewer than 3 000 people)
- b) A small town (3 000 to about 15 000 people)
- c) A town (15 000 to about 100 000 people)
- d) A city (100 000 to about 1 000 000 people)
- e) A large city (with over 1 000 000 people)
- f) Don’t know
- g) Refused

**QDiii) Interviewer to record the language used in the interview. Agency to add own codes**

**ASK ALL**

**QD1) Please could you tell me your marital status?**
- a) Married
- b) Single
- c) Separated/divorced
- d) Living with partner
- e) Widowed
- f) Don’t know
- g) Refused

**ASK ALL**

**QD2_a) How many children under the age of 18 live with you, in your household?**
**Record number ---**
- a) Don’t know
- b) Refused

**ASK ALL**

**QD2_b) How many people aged 18 and over live with you, in your household. Please do not count yourself [Add if necessary: including your partner]?**
**Record number ---**
- a) Don’t know
- b) Refused

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7 The questionnaire, together with Guidance Notes for conducting an internationally comparable survey of financial literacy is available also at http://www.oecd.org/daf/financialmarketsinsuranceandpensions/financialeducation/49319977.pdf
**READ OUT:** Now I am going to move on to ask about money matters. In these questions I may ask about you personally, or about your 'household'. Please can you start by telling me:

**QF1) Who is responsible for day-to-day decisions about money in your household?**

**INTERVIEWER:** READ OUT a- f:

a) You  
b) You and your partner [do not read out if no partner at QD1]  
c) You and another family member (or family members)  
d) Your partner [do not read out if no partner at QD1]  
e) Another family member or (or family members)  
f) Someone else  
g) Nobody  
h) Don’t know  
i) Refused

**ASK ALL**

*Note to agency:* This question is intended to ask whether the household has a budget, rather than whether the individual has budgeted their own personal money (although in single adult households this will be the same thing).

**READ OUT:** This next question is about household budgets. A household budget is used to decide what share of your household income will be used for spending, saving or paying bills.

**QF2) Does your household have a budget?**

a) Yes  
b) No  
c) Don’t know  
d) Refused

**GUIDANCE ON PRODUCT QUESTIONS (IN TABLE ON FOLLOWING PAGE):**

*Note to agency:* The list of product types used in your questionnaire will need to be specific to your country, and should cover retirement savings, other savings and investments, credit (unsecured and secured if relevant) and insurance products. If necessary, give examples.

Order of questions:

I) QC1_a should be asked of every product, and used to create a filter for the list of products for the following 2 questions

II) QC1_b should then be asked of all relevant products using the filter. Do not ask the respondent if they hold a particular product if they have already said they have not heard of it.

III) QC1_c should then be asked of all relevant products using the filter from QC1_a. This question is asking about recent product choice, irrespective of current product holdings.

**| QC1_a| QC1_b| QC1_c |
---|---|---|---|
A pension fund| 1| 1| 1 |
An investment account, such as a unit trust| 2| 2| 2 |
A mortgage| 3| 3| 3 |

**A pension fund**

QC1_a) Please can you tell me whether you have heard of any of these types of financial products.

**ASK ALL respondents filtering products on QC1_a=Yes**

QC1_b) and now can you tell me whether you currently hold any of these types of products (personally or jointly)?

**ASK ALL respondents filtering products on QC1_a=Yes**

QC1_c) and in the last two years, which of the following types of financial products have you chosen (Personally or jointly) whether or not you still hold them...Please do not include products that were renewed automatically.
<table>
<thead>
<tr>
<th>A bank loan secured on property</th>
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<tr>
<td>An unsecured bank loan</td>
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<tr>
<td>A credit card</td>
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<tr>
<td>A &lt;current&gt; account</td>
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<tr>
<td>A savings account</td>
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<tr>
<td>A microfinance loan</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Stocks and shares</td>
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<tr>
<td>Bonds</td>
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<tr>
<td>Mobile phone payment account</td>
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<td></td>
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<tr>
<td>Prepaid payment card</td>
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<td></td>
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<tr>
<td>Don’t know response given to the question as a whole</td>
<td>97</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>Refused to respond to the question as a whole</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Record if the respondent has (heard of /holds/ chose) none of the above</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**ASK ALL THOSE WHO ANSWERED YES AT any QC1 c excluding stocks, shares and bonds, if asked OR WHO ANSWERED YES AT any QC1 b excluding stocks, shares and bonds, if asked**

QC2) Which of the following statements best describes how you last chose a [TAKE A PRODUCT AT RANDOM FROM POSITIVE RESPONSES TO QC1 c: if none: TAKE A PRODUCT AT RANDOM FROM POSITIVE RESPONSES TO QC1 b]?

Note to agency: Only use products from QC1 b if the respondent has not chosen anything in the last 2 years (i.e. Has not answered Yes at any QC1 c). Please record the product being discussed, indicating whether it was chosen from QC1 c or QC1 b. Do not ask this question about stocks, shares or bonds.

INTERVIEWER: READ OUT a-d

a) I considered several [Use the most appropriate word: products/loans/policies/accounts] from different companies before making my decision
b) I considered the various [products/loans/policies/accounts] from one company
c) I didn’t consider any other [products/loans/policies/accounts] at all
d) I looked around but there were no other [products/loans/policies/accounts] to consider
e) Don’t know
f) Not applicable
g) Refused

**ASK ALL THOSE WHO WERE ASKED QC2, including those who refused or responded ‘don’t know’**

QC3) and which sources of information do you feel most influenced your decision about which one to take out?

Note to agency: Please edit with country specific options under each category. Category headings are for guidance: DO NOT READ OUT

INTERVIEWER: WAIT FOR RESPONSE. READ OUT LIST IF NECESSARY. CODE ALL.

1 Product-specific information
a) Unsolicited information sent through the post
b) Information picked up in a branch
c) Product specific information found on the internet
d) Information from sales staff of the firm providing the products (including quotes)
2 Best buy guidance  
e) Best-buy tables in financial pages of newspapers/magazines  
f) Best-buy information found on the internet  
g) Specialist magazines/publications  
h) Recommendation from independent financial adviser or broker  

3 General advice  
i) Advice of friends/relatives (not working in the financial services industry)  
j) Advice of friends/relatives (who work in the financial services industry)  
k) Employer’s advice  

4 Media coverage  
l) Newspaper articles  
m) Television or radio programmes  

5 Adverts  
n) Newspaper adverts  
o) Television adverts  
p) Other advertising  

6 Other  
q) My own previous experience  
r) Other source  
s) Don’t know  
t) Not applicable (no recent choice)  
u) Refused  

READ OUT: I now have some more general questions about money. Remember that there are no particular wrong or right answers; everyone has their own way of doing things.  

ASK ALL (rotate questions)  
QMP1) I am going to read out some attitude and behaviour statements. I would like to know how much you agree or disagree that each of the statements applies to you, personally. Please use a scale of 1 to 5, where 1 tells me that you completely agree that the statement describes you and 5 shows that you completely disagree:  
INTERVIEWER: READ OUT EACH STATEMENT AND WAIT FOR RESPONSE. Repeat the scale as many times as necessary. If respondent answers (dis)agree: check ‘Would you say you completely (dis)agree’? If they say they don’t know, check whether they feel they neither agree nor disagree (3 on scale), or if they are really uncertain. If necessary, face to face interviewers can provide a card with the scale marked on it, and ask the respondent to point to the appropriate position.  

1. Before I buy something I carefully consider whether I can afford it  
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)  

2. I tend to live for today and let tomorrow take care of itself  
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)  

3. I find it more satisfying to spend money than to save it for the long term  
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)  

4. I pay my bills on time  
Completely agree, 2, 3, 4, completely disagree (Don’t know, not applicable, refused)  

5. I am prepared to risk some of my own money when saving or making an investment  
Completely agree, 2, 3, 4, completely disagree (Don’t know, not applicable, refused)  

6. I keep a close personal watch on my financial affairs
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)

7. I set long term financial goals and strive to achieve them
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)

8. Money is there to be spent
Completely agree, 2, 3, 4, completely disagree (Don’t know, refused)

Note to agency: The questions below relate to the individual, not necessarily the household. Reassure respondent about confidentiality if necessary

ASK ALL.
QM2) Sometimes people find that their income does not quite cover their living costs. In the last 12 months, has this happened to you?
 a) Yes
 b) No
 c) Don’t know
 d) Not applicable (I don’t have any personal income)
 e) Refused

ASK if yes at QM2
Note to agency: Please add in country specific options under each category. Category headings are for guidance when creating categories: DO NOT READ OUT headings.
QM3) What did you do to make ends meet the last time this happened?
INTERVIEWER: Probe with: Did you do anything else?
Mark all that are relevant.
DO NOT READ OUT OPTIONS: although examples can be given
1 Existing resources
 a) Draw money out of savings or transfer savings into current account
 b) Cut back on spending, spend less, do without
 c) Sell something that I own
2 Creating resources
d) Work overtime, earn extra money
3 Access credit by using existing contacts or resources
e) Borrow food or money from family or friends
f) Borrow from employer/salary advance
g) Pawn something that I own
h) Take a loan from my savings and loans clubs
i) Take money out of a flexible mortgage account
j) Apply for loan/withdrawal on pension fund
4 Borrow from existing credit line
 k) Use authorised, arranged overdraft or line of credit
 l) Use credit card for a cash advance or to pay bills/buy food
5 Access new line of credit
 m) Take out a personal loan from a financial service provider (including bank, credit union or microfinance)
 n) Take out a payday loan
 o) Take out a loan from an informal provider/moneylender
6 Fall behind/ go beyond arranged amount
 p) Use unauthorised overdraft
 q) Pay my bills late; miss payments
7 Other responses
r) Other
 s) Don’t know
t) Refused

ASK ALL: Rotate list

QP1) In the past 12 months have you been [personally] saving money in any of the following ways, whether or not you still have the money?

Note to agency: Please do not include pension savings in this question. Please replace <informal savings club> with appropriate term. If necessary, remind the participant that this is entirely confidential, and their data will be anonymised.

INTERVIEWER: Read categories to respondent. Mark all that apply. Only mark categories in italics if no other categories are appropriate.

a) Saving cash at home or in your wallet
b) Building up a balance of money in your bank account
c) Paying money into a savings account
d) Giving money to family to save on your behalf
e) Saving in <an informal savings club>
f) Buying financial investment products, other than pension funds [give examples such as bonds, investment trusts, stocks and shares]
g) Or in some other way (including remittances, buying livestock or property)
h) Has not been actively saving (including I don't save/I have no money to save)
i) Don't know
j) refused

ASK ALL

QP2) If you lost your main source of income, how long could you continue to cover living expenses, without borrowing any money or <moving house>?

Note to agency: If necessary, remind the participant that this is entirely confidential, and their data will be anonymised. If the respondent does not have personal income, this question will relate to their household income. If necessary, rephrase the term <moving house>.

INTERVIEWER: READ OUT a-e

a) Less than a week
b) At least a week, but not one month
c) At least one month, but not three months
d) At least three months, but not six months
e) More than six months.
f) Don't know
g) Refused

READ OUT: The next section of the questionnaire is more like a quiz. The questions are not designed to catch you out, so if you think you have the right answer, you probably do. If you don't know the answer, just say so.

ASK ALL

Note to agency: Change to local currency. Change the relationship between the individuals, if this is likely to be culturally sensitive and provide a note of this for international comparisons. Note that each question has a category - 999 for irrelevant answers. These might include: ‘it depends how old the brothers are’. It is not necessary to record the irrelevant response itself.

QK1) (Imagine that five <brothers> are given a gift of $1,000. If the <brothers> have to share the money equally how much does each one get?

INTERVIEWER: READ QUESTION AGAIN IF ASKED

Record response numerically (currency symbol not necessary) - - -

a) Don’t know
b) Refused
c) Irrelevant answer
Note to agency: Change to local currency. Keep the same relationship as in the previous question. Add in current inflation rate in your country and provide a note on the rate used and the date from which this was taken. Note that d can be considered to be correct but should not be read out.

QK2) Now imagine that the <brothers> have to wait for one year to get their share of the $1,000 and inflation stays at X percent. In one year’s time will they be able to buy:

INTERVIEWER: READ OUT a-c
a) More with their share of the money than they could today;
b) The same amount;
c) Or, less than they could buy today.
d) It depends on the types of things that they want to buy
e) Don’t know
f) Refused
g) Irrelevant answer

ASK ALL
Note to agency: Change to local currency; and consider whether the term interest is appropriate if respondent is Muslim (possibly replace the second sentence with ‘What is the return you have earned on this loan’).

QK3) (INT) You lend $25 to a friend one evening and he gives you $25 back the next day. How much interest has he paid on this loan?

INTERVIEWER: READ QUESTION AGAIN IF ASKED
Record response numerically (percentage symbol not necessary) - - -
a) Don’t know
b) Refused
c) Irrelevant answer

ASK ALL
Note to agency: Change to local currency. Do not change percentage rate. If savings accounts incur fees in your country, please include a phrase to reflect the wording in <> and provide a note to this effect for international comparisons.

QK4_a) Suppose you put $100 into a <no fee> savings account with a guaranteed interest rate of 2% per year. You don’t make any further payments into this account and you don’t withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

INTERVIEWER: READ QUESTION AGAIN IF ASKED
Record response numerically (currency symbol not necessary) - - -
a) Don’t know
b) Refused
c) Irrelevant answer

Note to agency: Change to local currency. Note that this question is intended to indicate whether the respondent knows about compound interest, and so the amount in each of the options must be exactly equal to the total interest without compounding.

QK4_b) and how much would be in the account at the end of five years [add if necessary: remembering there are no fees]? Would it be:

INTERVIEWER: READ LIST a-d
a) More than $110
b) Exactly $110
c) Less than $110
d) Or is it impossible to tell from the information given
e) Don’t know
f) Refused
g) Irrelevant answer

ASK ALL
QK5) I would like to know whether you think the following statements are true or false:
a) True  
b) False  
c) Don’t know  
d) Refused

INTERVIEWER: READ OUT EACH STATEMENT AND WAIT FOR RESPONSE

a) An investment with a high return is likely to be high risk

Note to agency: if the word ‘risk’ is difficult to translate, we recommend using the following question. It would be advisable to test both versions if possible:

a_alt) If someone offers you the chance to make a lot of money there is also a chance that you will lose a lot of money.

b) High inflation means that the cost of living is increasing rapidly

c) It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares.

Note to agency: For countries/regions where the stock market will not be widely understood this version may be more appropriate. It would be advisable to test both versions if possible:

C_alt) It is less likely that you will lose all of your money if you save it in more than one place.

READ OUT: I would now like to ask you a few more questions about yourself and your household. We want to make sure that we have talked to people from all kinds of households, to reflect our national population.

ASK everyone the questions in this section, if used

Note to agency: OPTIONAL question

QD3) Please could you tell me how old you are, currently?

RECORD AGE ---

a) Refused

IF REFUSED AT QD3 (or not asked) Ask:

QD3_a) Would you (instead) tell me which of these age bands you fall into?

a) 18-19  
b) 20-29  
c) 30-39  
d) 40-49  
e) 50-59  
f) 60-69  
g) 70-79  
h) Refused

Note to agency: if the respondent is a student, code current education level. This question relates to highest level of schooling, rather than highest qualification

QD4) What is the highest educational level that you have attained?

READ OUT THE LIST, stop and mark the first that applies (REVERSE ORDER IF MORE APPROPRIATE IN YOUR COUNTRY – make sure values are also reversed)

Note to agency: the interviewers may need some indication as to which professional qualifications are equivalent to these academic levels of education.

a) University-level education  
b) Technical/vocational education beyond secondary school level  
c) Complete secondary school  
d) Some secondary school
| e) Complete primary school  |
| f) Some primary school     |
| g) No formal education     |
| h) Refused                |

**QD5_a)** And which of these best describes your current work situation?

INTERVIEWER: READ OUT stop and mark the first that applies

a) Self employed [work for yourself]
b) In paid employment [work for someone else]c) Looking for work
d) Looking after the home
e) Unable to work due to sickness or ill-healthf) Retired
g) Student
h) Not working and not looking for worki) Apprentice
j) Other
k) Don’t know
l) Refused

Ask if in work at QD5_a (response a or b).

**QD5_b)** How many hours did you work last week?

Record value __

a) Don’t know
b) Refused

Notes to agency: question should use the appropriate national wording and give country-specific instructions to the interviewer.

READ OUT: People get income from a wide range of sources. This might include <wages and salaries, benefit payments, pensions or maintenance payments>.

**QD6)** Considering all of the sources of income coming into your household each month, would you say that your household income is regular and reliable?

a) Yes
b) No
c) Don’t know
d) Refused

d) Refused

**QD7)** And finally, can you tell me which of these categories your household income usually falls into [Use as appropriate: before/after tax]?

FIELDWORK COMPANY TO ADD IN CODES:

Notes to agency: Please make sure that median, and not mean averages are used. Please provide information with the dataset to describe the source and date of the median income data, and the monetary amounts.

Stress confidentiality, and that the data is needed to make sure that the sample is representative of the population. Please create a table of household income before and after tax if necessary in order to be able identify the correct bands regardless of how the respondent chooses to answer. It may also be necessary to create a conversion table of weekly or fortnightly income.

Change currency as appropriate.

a) Up to $X a month
b) between $X and $Y a month
c) $Y or more a month
d) Don’t know
e) Refused
The Global Findex Database

New Data on Accounts and Payments

New data from the Global Financial Inclusion (Global Findex) database show that 50 percent of adults worldwide have an account at a formal financial institution. The data also show deep disparities across regions, economies, and individual characteristics in how people use financial services. The database can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people around the world save, borrow, make payments, and manage risk.

For most people, having an account at a financial institution serves as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage saving and open access to credit. Through broad access to affordable accounts, an inclusive financial system can help reduce income inequality and support economic growth.

Yet until now little had been known about the global reach of the financial sector—the extent of financial inclusion and the degree to which such groups as the poor, women, and youth are excluded from formal financial systems. Systematic indicators of the use of different financial services had been lacking for most economies.

The Global Findex database provides such indicators, measuring how people in 148 economies save, borrow, make payments, and manage risk. These new indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults age 15 and above. The survey was carried out over the 2011 calendar year by Gallup, Inc. as part of its Gallup World Poll. This note features Global Findex data on the prevalence and use of formal accounts, barriers to account use, and alternatives to formal accounts.

Account Penetration

Worldwide, 50 percent of adults report having an account at a formal financial institution—a bank, credit union, cooperative, post office, or microfinance institution. Not surprisingly, account penetration differs enormously between high-income and developing economies: while it is nearly universal in high-income economies, with 89 percent of adults reporting that they have a formal account, it is only 41 percent in developing economies (figure 1).
What explains the large variation in account penetration around the world? Without a doubt national income, proxied by GDP per capita, explains much of it. Yet among the bottom 50 percent of the income distribution in the sample (economies with a GDP per capita below $2,200), the relationship between GDP per capita and account penetration is much weaker. Nor is financial depth the critical factor—there can be large amounts of commercial and consumer credit in a financial system without delivering access for all. This suggests room for policy interventions to increase financial inclusion.

At the individual level, household income—both absolute and relative—plays an important part in explaining the variation in account penetration. Worldwide, only 23 percent of adults living on less than $2 a day report having an account at a formal financial institution. And within developing economies adults in the richest income quintile are on average more than twice as likely to have an account as those in the poorest.

Financial inclusion also differs in important ways by individual characteristics such as gender, education level, age, and rural or urban residence (figure 2). In developing economies 46 percent of men report having an account at a formal financial institution, while only 37 percent of women do. This gender gap, averaging 6–9 percentage points, persists across within-economy income quintiles in the developing world.

In developing economies adults with a tertiary or higher education are on average more than twice as likely to have an account as those with a primary education or less. In both high-income and developing economies people ages 25–64 are more likely to report having an account at a formal financial institution than both younger and older adults. And in all developing regions adults living in cities are significantly more likely than those living in rural areas to have a formal account.
Barriers to Formal Account Ownership

By asking more than 70,000 adults without a formal account why they do not have one, the Global Findex survey provides insights into where policymakers might begin to make inroads in improving financial inclusion. Globally, the most frequently cited reason for not having a formal account is lack of enough money to use one (figure 3). This is the response given by 65 percent of adults without a formal account, with 30 percent citing this as the only reason (multiple responses were permitted). This segment of the population is less likely to be bankable.

The next most commonly cited reasons for not having an account are that banks or accounts are too expensive and that another family member already has one, a response identifying indirect users. The other reasons reported (in order of importance) are banks being too far away, lack of the necessary documentation, lack of trust in banks, and religious reasons.

How and Why Are Formal Accounts Used?

Beyond the simple ownership of formal accounts, how frequently people access those accounts, and the methods they use to do so, mark a stark difference in the use of financial services between high-income and developing economies.

In developing economies 10 percent of adults with a formal account—more than 150 million people—maintain what can be considered an inactive account: they make neither withdrawals from nor deposits into their account in a typical month (although they may keep a positive balance). In high-income economies only 2 percent of account holders have an inactive account.
The majority of adults with a formal account in developing economies make deposits or withdrawals only one to two times in a typical month. They may access their accounts only to withdraw monthly or semimonthly wages (deposited by an employer). In high-income economies, by contrast, more than half withdraw money from their accounts six or more times in a typical month.

People have myriad reasons for maintaining an account at a formal financial institution. Using a formal account to receive wages is most common in high-income economies, Europe and Central Asia, and Latin America and the Caribbean (figure 4). Relying on an account to receive money or payments from the government is most common in high-income economies, where 42 percent of all adults (and 47 percent of account holders) report having used an account for this type of transaction in the past year. In developing economies 8 percent of adults (and 19 percent of account holders) used an account in the past year to send money to or receive it from relatives living elsewhere.

**Mobile Money**

Although people who do not have an account at a formal financial institution may lose out on the security and reliability that such a relationship provides, they often employ fairly sophisticated methods to manage their day-to-day finances and plan for the future. A growing number are using new alternatives to traditional banking made possible by the rapid spread of mobile phones.

The recent growth of mobile money—sometimes a form of “branchless banking”—has allowed millions of people who are otherwise excluded from the formal financial system to perform financial transactions relatively cheaply, securely, and reliably. Mobile money has achieved the broadest success in Sub-Saharan Africa, where 16 percent of adults report having used a mobile phone in the past 12 months to pay bills or send or receive money. The share using mobile money is less than 5 percent in all other regions.

**Conclusion**

As the first public database of indicators that consistently measure people’s use of financial products across economies and over time, the Global Findex database fills a big gap in the financial inclusion data landscape. The data set can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people manage their finances. By making it possible to identify segments of the population excluded from the formal financial sector, the data can help policy makers prioritize reforms accordingly and, as future rounds of the data set become available, track the success of those reforms.

1. This includes respondents who report having a debit card.
2. The regional and worldwide aggregates omit economies for which Gallup excludes more than 20 percent of the population in the sampling either because of security risks or because the population includes non-Arab expatriates. These excluded economies are Algeria, Bahrain, the Central African Republic, Madagascar, Qatar, Somalia, and the United Arab Emirates. The Islamic Republic of Iran is also excluded because the data were collected in that country using a methodology inconsistent with that used for other economies.

The reference citation for the Global Findex data is as follows:

The Global Findex Database

New Data on Saving, Borrowing, and Managing Risk

According to new data from the Global Financial Inclusion (Global Findex) database, 22 percent of adults worldwide report having saved at a formal financial institution in the past 12 months, while 9 percent report having originated a new formal loan. The data also show deep disparities across regions, economies, and individual characteristics in how people use financial services. The database can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people around the world save, borrow, make payments, and manage risk.

Inclusive financial systems can play an important part in reducing poverty and inequality. They enable poor people to save and to borrow—allowing them to build their assets, to invest in education and entrepreneurial ventures, and thus to improve their livelihoods. And they allow poor people to smooth their consumption and insure themselves against the many economic vulnerabilities they face—from illness and accidents to theft and unemployment.

Yet until now little had been known about the global reach of the financial sector—the extent of financial inclusion and the degree to which such groups as the poor, women, and youth are excluded from formal financial systems. Systematic indicators of the use of different financial services had been lacking for most economies.

The Global Findex database provides such indicators, measuring how people in 148 economies save, borrow, make payments, and manage risk. These new indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults age 15 and above. The survey was carried out over the 2011 calendar year by Gallup, Inc. as part of its Gallup World Poll. This note highlights Global Findex data on savings behavior, the sources and purposes of borrowing, and the use of health and agricultural insurance to manage risk.

Saving

Saving to cover future expenses—education, a wedding, a big purchase—or to provide against possible emergencies is a universal tendency. Globally, 36 percent of adults report having saved or set aside money in the past 12 months.1 Adults in high-income economies are the most likely to do so, followed by those in Sub-Saharan Africa and East Asia and the Pacific (figure 1).

Worldwide, 22 percent of adults report having saved in the past year using an account at a formal financial institution. Formal savings behavior varies across regions as well as by individual characteristics. Men, adults in higher income quintiles, and those with
more education are more likely to report having saved at a bank, credit union, or microfinance institution in the past year. In developing economies adults in the richest income quintile are on average more than three times as likely to save formally as those in the poorest—and in high-income economies nearly twice as likely.

Having a formal account does not necessarily imply formal saving; even among account holders there is great variation in the use of formal accounts to save (figure 2). Worldwide, about 43 percent of account holders report having saved or set aside money using an account at a formal financial institution in the past 12 months. In high-income economies, East Asia and the Pacific, and Sub-Saharan Africa about half of account holders report having done so. This suggests that in these groups of economies the ability to save in a secure location may be an important reason why people open and maintain a formal account.

Many adults, despite having a formal account, save solely using other methods. These people, who might be classified as “underbanked,” make up 12 percent of account holders worldwide. Those choosing to use an informal savings method rather than their formal account may do so because the costs of actively using their account are prohibitive—as a result of such barriers as balance and withdrawal fees and physical distance. It is also possible that wage accounts set up by employers cannot easily be used to save.

In developing economies large shares of people who save are clearly choosing alternatives to formal accounts to do so. What are the main alternatives being used?

Savings clubs are one common alternative (or complement) to saving at a formal financial institution. A common form is the rotating savings and credit association—known as a susu in West Africa, an arisan in Indonesia, and a pandero in Peru. These clubs generally operate by pooling the weekly deposits of their members and disbursing the entire amount to a different member each week.
Community-based savings methods such as savings clubs are widely used in some parts of the world but most commonly in Sub-Saharan Africa. In that region 19 percent of adults report having saved in the past year using a savings club or person outside the family. Among just those who report any savings activity in the past 12 months, 48 percent use community-based savings methods. The practice is particularly common in Nigeria, where 44 percent of adults (and 69 percent of those who save) report using a savings club or person outside the family.

The popularity of savings clubs speaks to their advantages, but these arrangements also have downsides. Their essential characteristic—informality—is accompanied by risks of fraud and collapse (although formal accounts are not immune to these risks where explicit government-run deposit insurance is absent or inadequate, as it is in many developing economies). In addition, the cyclical nature of contributions and disbursements can be too rigid for some people and out of sync with their needs to deposit surplus income or quickly withdraw funds for an emergency.

A large share of adults around the world who report having saved or set aside money in the past 12 months do not report having done so using a formal financial institution, informal savings club, or person outside the family. While the Global Findex survey did not gather data on these alternative methods, they might include saving through asset accumulation (such as gold or livestock) and saving “under the mattress.” These adults account for 29 percent of savers worldwide and more than half of savers in 55 economies.

**Borrowing**

Most people need to borrow money from time to time. They may want to buy or renovate a house, to invest in an education, or to pay for a wedding. When they lack the money to do so, they turn to someone who will lend it to them—a bank, a cousin, an informal lender. And in some parts of the world many people may rely on credit cards for short-term credit.

Globally, 9 percent of adults report having originated a new loan from a formal financial institution in the past 12 months—14 percent of adults in high-income economies and 8 percent in developing economies. In addition, about half of adults in high-income economies report having a credit card, which might serve as an alternative to short-term loans. In developing economies only 7 percent report having a credit card.

Friends and family are the most commonly reported source of new loans in all regions, though not in high-income economies. In Sub-Saharan Africa 29 percent of adults report friends or family as their only source of new loans in the past year, while only 2 percent report a formal financial institution as their only source. In several regions more adults report borrowing from a store (using installment credit or buying on credit) than report borrowing from a formal financial institution. In high-income economies formal financial institutions are the most commonly reported source of new loans.
Why are people most likely to borrow? About 11 percent of adults in developing economies report having an outstanding loan for emergency or health purposes (a group in which less than 20 percent report borrowing only from a formal financial institution). Outstanding loans for school fees are most common in Sub-Saharan Africa, reported by 8 percent of adults in that region. Outstanding loans for funerals or weddings are reported by 3 percent of adults in the developing world as a whole, but are significantly more common in fragile and conflict-affected states such as Afghanistan, Iraq, and Somalia.\(^3\)

Data on the use of mortgages show a large difference between income groups: in high-income economies 24 percent of adults report having an outstanding loan to purchase a home or apartment, while only 3 percent do in developing economies.

**Managing Risk**

Only 17 percent of adults in developing economies report having personally paid for health insurance, though the share is as low as 2 percent in low-income economies. Of adults working in farming, forestry, or fishing in developing economies, only 6 percent report having purchased crop, rainfall, or livestock insurance in the past year.

**Conclusion**

As the first public database of indicators that consistently measure people’s use of financial products across economies and over time, the Global Findex database fills a big gap in the financial inclusion data landscape. The data set can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people around the world manage their day-to-day finances. By making it possible to identify segments of the population excluded from the formal financial sector, the data can help policy makers prioritize reforms accordingly and, as future rounds of the data set become available, track the success of those reforms.

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1. The regional and worldwide aggregates omit economies for which Gallup excludes more than 20 percent of the population in the sampling either because of security risks or because the population includes non-Arab expatriates. These excluded economies are Algeria, Bahrain, the Central African Republic, Madagascar, Qatar, Somalia, and the United Arab Emirates. The Islamic Republic of Iran is also excluded because the data were collected in that country using a methodology inconsistent with that used for other economies.

2. Information is collected on the ownership of credit cards but not their use.

3. Data on the main purpose of outstanding loans were gathered only in developing economies because Gallup enforces a time limit for phone interviews conducted in high-income economies, limiting the number of questions that can be added to the core questionnaire. Respondents chose from a list of reasons for borrowing so it is possible that reasons not listed (borrowing to start a business, for example) are also common.

The reference citation for the Global Findex data is as follows:

Case Studies of National Measurement Efforts

i. Financial Capability Measurement in Mexico

Mr. Luis Trevino Garza, Director for Access to Finance of the National Banking and Securities Commission (CNBV), presented background on the development of the Financial Capability Measurement Instrument in Mexico. He highlighted early findings from the national measurement effort and provided background on the state of play of financial inclusion in Mexico. In total, the Mexico project involved 13 focus groups, 48 in-depth interviews and a national survey sample of 15,000 people, both rural and urban. The full presentation can be found at www.finlitedu.org and a full profile of the national measurement effort is presented on page 15 of the Overview of the Russia Trust Fund for Financial Literacy and Education Trust Fund.
Phases of Financial Capabilities Project

The measurement project is divided in two Phases. Mexico along with the rest of countries is concluding the last phase of this project.

**Phase 1**
Instrument Design

**STEP I**
13 Focus Groups
- FG’s classification:
  b. Age
  c. Formal / Informal Labor
- Objective: To define “Financial Capabilities” & the features:
  a. Behavior on financial issues
  b. Attitudes
  c. Knowledge of products & services

**STEP II**
48 In-depth Interviews
- Two waves of interviews:
  a. 1st. More deep – extended
  b. 2nd. More structured
- Objective: To develop a consistent, comparable instrument between developing countries.

**Phase 2**
Baseline Measurement

**STEP III**
Design of final Instrument
- Instrument development with the results from focus groups & in-depth interviews from eight participant countries.
- A Pilot Test with 100 interviews in households w/ different profiles.
- Objective: To develop the instrument for national survey on financial capabilities.

**NATIONAL SURVEY**
- Design and launch of a National Survey of Financial Capabilities.
- Comparable sample design: national & urban/rural;
- Direct training to interviewers & supervisors
- Methodology: face to face interviews.
- Objective: Establish the first baseline for financial capabilities

---

**Methodology – Distribution for Qualitative Measurement**

**Focus groups & In-depth interviews distribution**

- **Monterrey,** (Industrialized City) 1.6 million people
  - 3 focus groups
  - Ages: 20-35 / 36 - 55
  - Formal & Informal workers
  - Urban: Segments C/D

- **Guadalajara,** (Commerce & industry) 1.8 million people
  - 3 focus groups
  - Ages: 20-35 / 36 - 55
  - Formal & Informal workers
  - Urban: Segments D/D+

- **Guelatao,** Oaxaca (Rural town) < 500 people
  - 2 focus groups
  - Ages: 20-35 / 36 – 55
  - Mainly informal workers
  - Rural: Segments E / D

- **Mexico City,** (Largest city) 9 million people
  - 3 focus groups
  - Ages: 20-35 / 36 - 55
  - Formal & Informal workers
  - Urban: Segments D / D+

- **Hunucma,** Yucatan (Rural town) 20,000 people
  - 2 focus groups
  - Ages: 20-35 / 36 - 55
  - Formal & Informal workers
  - Rural: Segments E / D, D+
Methodology of Quantitative Measurement

inter-institutional project technically developed by the Russian Financial Literacy & Education Trust Fund with the collaboration between CONDUSEF and CNBV.

- Sample design and selection is probabilistic, stratified, and multi-staged, based in the last 2010 Mexican Population Census.
- Survey designed by the World Bank with customization by CONDUSEF and CNBV.
- Sample is nationally representative including Urban/Rural (+/- 15,000 inhabitants)
- Sample size is of 2,000 dwellings/individuals with a 95% of confidence and a 2.19% of error at a national level.
- Objective of the survey are individuals between 18-70 years of age.
- Face to face interview with a time average per interview of 40 minutes, using electronic hand-held devices.
- Survey field work started in mid-June and will end in mid-July 2012.
- Results & baseline analysis are to be available by September 2012.
ii. Financial Capability Measurement in Papua New Guinea

Mr. Gae Kauzi, Economist, Bank of Papua New Guinea, and Ms. Wei Zhang, Financial Sector Specialist, the World Bank presented background on the development of the Financial Capability Measurement Instrument in Papua New Guinea. They profiled early findings from the national measurement effort. The full presentation can be found at www.finlitedu.org and a full profile of the survey is presented on page 15 of the Overview of the Russia Trust Fund for Financial Literacy and Education Trust Fund.

Survey Pilot – Preliminary Findings (cont.)

- This is also the case in respect to provision for retirement, higher income households have greater capability to provide for their retirement

<table>
<thead>
<tr>
<th>Comparison in Retirement Provision Between Low and High Income Households</th>
<th>Low Income</th>
<th>High Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>High income</td>
<td></td>
</tr>
<tr>
<td>Intend to use to fund retirement</td>
<td>Have in place</td>
<td>Intend to use to fund retirement</td>
</tr>
<tr>
<td>Financial help/support from family</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Savings or other financial assets</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Government old age pension</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Non-financial assets</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Inheritance</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>Will always work</td>
<td>13%</td>
<td>44%</td>
</tr>
<tr>
<td>No plan/strategies</td>
<td>48%</td>
<td>15%</td>
</tr>
<tr>
<td>Sources will provide enough money to cover expenses</td>
<td>27%</td>
<td>44%</td>
</tr>
</tbody>
</table>
Survey Pilot – Preliminary Findings (cont.)

- And are able to adopt a longer planning horizon

<table>
<thead>
<tr>
<th>Comparison in Financial Planning Horizon Between Low and High Income Households</th>
<th>Low Income</th>
<th>High Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;I save money for the future.&quot;</td>
<td>71%</td>
<td>76%</td>
</tr>
<tr>
<td>&quot;I try to save some money regularly, even if it is only a little.&quot;</td>
<td>58%</td>
<td>59%</td>
</tr>
<tr>
<td>&quot;I always try to have some provision for emergencies or unexpected expenses.&quot;</td>
<td>58%</td>
<td>71%</td>
</tr>
<tr>
<td>How far ahead plan for the future</td>
<td>Daily &gt;</td>
<td>Monthly</td>
</tr>
<tr>
<td></td>
<td>82%</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>Six Months or longer</td>
<td>18%</td>
</tr>
</tbody>
</table>

Survey Pilot – Preliminary Findings (cont.)

- The difference between high and low income households is particularly evident in the usage of financial products

<table>
<thead>
<tr>
<th>Comparison in Levels of Financial Inclusion Between Low and High Income Households</th>
<th>Low Income</th>
<th>High Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provident/Superannuation</td>
<td>19%</td>
<td>71%</td>
</tr>
<tr>
<td>Unit Trust/Shares</td>
<td>4%</td>
<td>22%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>6%</td>
<td>44%</td>
</tr>
<tr>
<td>Home insurance</td>
<td>4%</td>
<td>24%</td>
</tr>
<tr>
<td>Vehicle Insurance</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Commercial/Development Loan from a Bank</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Secured Personal/House Loan from a Bank</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Loan from Savings and Loans Society</td>
<td>2%</td>
<td>17%</td>
</tr>
<tr>
<td>Savings or Cheque Account with a Bank/Debit Cards</td>
<td>19%</td>
<td>71%</td>
</tr>
<tr>
<td>Savings with a Microfinance Organisation</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>Savings with a Savings &amp; Loans Society</td>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>Savings with an Employer</td>
<td>4%</td>
<td>22%</td>
</tr>
<tr>
<td>Loan from an Informal Money Lender</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Loan from family/friends that has to be repaid</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Store Credit</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Informal Loan from family &amp; friends</td>
<td>13%</td>
<td>5%</td>
</tr>
</tbody>
</table>

NB – only products with usage >5% included
Impact Evaluation of Financial Capability Enhancement Programs

OECD/INFE Evaluation of Financial Education Programmes

A Toolkit of Methods for Program Evaluation in Low and Middle Income Countries

Case Studies: South Africa and Mexico
OECD/INFE Evaluation of Financial Education Programmes

Framework, Guides and High-level Principles

I. Introduction: Framework and Guides

Programme monitoring and evaluation is essential to the development and implementation of national strategies for financial education.1 It allows policy makers and other stakeholders to be certain that a programme is effective, to identify areas for improvement and to check that the initiative makes good use of resources. Evaluation evidence can also inform national financial education strategies by identifying the most efficient programmes and influencing future funding decisions. Furthermore, when robust evaluation findings are generalised to a wider population it becomes possible to predict the overall impact of a programme on a much larger scale and set well-defined policy targets.

Evaluation data can be complemented by financial literacy measurement at a national or international level. A national survey of financial literacy can help programme designers to identify those topics that should be covered by financial education programmes and to set appropriate targets when writing their aims and objectives. With repeat surveys, it may also be possible to identify changes in levels of financial literacy over time and attribute such changes to the implementation of large-scale financial education programmes. However, a national survey should not be seen as an alternative to programme evaluation, as it does not allow for detailed analysis of the benefits of particular programmes and is not designed with reference to the aims and objectives of a particular programme.


Against this backdrop, the OECD International Network on Financial Education (INFE) carried out significant work in the area of evaluation of financial education programmes. In 2008 the INFE convened an expert subgroup on the evaluation of financial education programmes at a global level to encourage policy makers to recognise the value of evaluation and to improve evaluation practice.

A stock-taking exercise has been undertaken in 2009 among INFE members. About 30 authorities in over 20 countries provided details of about 50 programme evaluations. The stock-take indicated that it is not uncommon for financial education initiatives to be evaluated, and that many authorities undertake monitoring and evaluation on a regular basis, even though with different focus and methods. At the same time the exercise indicated a number of challenges faced, including difficulties in identifying goals, national benchmarks and targets, and in choosing appropriate evaluation methods.

Moreover, a comparative and analytical framework for evaluation of financial education has been developed (Lusardi, 2011). The framework provides a simple guideline that financial educators and other stakeholders can follow when designing evaluation studies. It is sufficiently flexible to allow programme designers to frame the evaluation in standardised way, allowing the programme to be compared nationally and internationally, while at the same time tailoring it to their specific needs.

Drawing from this evidence and research, the OECD INFE developed high-level principles for the evaluation of financial education programmes. The high-level principles are intended to complement the 2005 OECD Recommendation. They are designed to further inform policy makers, financial education programme designers and other stakeholders about the importance of evaluation. They relate to the monitoring and evaluation of a wide variety of financial education provision, from individual courses and seminars to large scale programmes and media campaigns. The evaluation of national strategies requires evaluation of the component parts, and these high-level principles are therefore of relevance in all countries regardless of whether there is a national financial literacy strategy.2

These high-level principles were developed and approved by the OECD INFE in December 2010. They were then

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1 Monitoring indicates regular, routine tracking of inputs and outputs; evaluation indicates assessment of changes that can be attributed to the programme.

2 The evaluation of school programmes is not within the scope of these high-level principles; the OECD and its INFE network have developed specific work to address the delivery and evaluation of financial education in schools. See www.financial-education.org
transmitted to the OECD Committees in charge of financial education (the Committee on Financial Markets (CMF) and the Insurance and Private Pensions Committee (IPPC)) and approved for further public consultation. The document was subsequently made available for public consultation on the OECD website and the OECD International Gateway for Financial Education 3 in 2011. Minor comments were received and reviewed through this process. Following the successful public consultation process, the document has been endorsed by the INFE as OECD INFE high-level principles (see Annex).

The high-level principles were also accompanied by two practical guides for use by financial education project managers, educators and other stakeholders. The Guide to Evaluating Financial Education Programmes provides guidance on the principles of a good evaluation, the key steps to be followed, and some suggested methods. The Detailed Guide to Evaluating Financial Literacy Programmes contains detailed guidance in non-technical language on the theory of change; the steps of evaluation; analysis and interpretation of data; reminders about reporting the results.4

II. OECD/INFE High-Level Principles for the evaluation of financial education programmes


New programmes should be evaluated

A monitoring and evaluation strategy should be developed alongside new financial education programmes in order to gain maximum benefit from the evaluation data. Evaluation should be given the same importance as any other aspect of the programme. Dialogue and collaboration between programme designers, facilitators and evaluators should be promoted (to the extent possible) in order to make sure that everyone is in agreement about the aims and objectives and the implementation of the evaluation.

Care should be taken to align expectations among stakeholders and to ensure that the evaluation can provide stakeholders with useful information.

Existing programmes should be evaluated to the extent possible

Whilst programmes should ideally be designed with evaluation in mind, there are ways of evaluating existing initiatives in order to provide evidence of efficiency and inform future policy decisions.

All ongoing monitoring processes and available data sources should be identified and used as necessary when evaluating existing programmes in order to avoid duplication of effort. Where no such resources exist, monitoring and evaluation processes should be implemented at the same time.

As with new programmes, the process of designing an evaluation of existing programmes should be collaborative, in order to make sure that all stakeholders are in agreement about the aims and objectives as well as the implementation of the evaluation. Priority should be given to explaining to stakeholders why the evaluation is taking place, and seeking their full cooperation.

2. Budget for evaluation

A budget should be set for evaluation. Where it is not possible to evaluate all aspects of the programme within the budget, stakeholders should be encouraged to identify which aspects of the programme should be evaluated as a priority taking into account the main objectives of the programme.

The amount of money set aside for evaluation should be proportionate to the overall cost of the programme. Particular attention should be given to identifying pre-existing evaluation resources that can reduce the cost of evaluation such as existing evaluation materials, resources or frameworks, including the OECD INFE guides to evaluation OECD/INFE (2010a), OECD/INFE (2010b). Existing survey data could also be used to set benchmarks; tests or survey instruments can be modified for use in evaluation; and data such as employers’ records of money paid into pension funds can be used to identify changes over time.

Whenever possible, consideration should be given to obtaining an accurate estimate of evaluation costs before finalising the funding for financial education programmes in order to set aside an appropriate amount of money or identify additional funding sources when necessary.

There are some circumstances where the long-term benefit of evaluation evidence can justify high cost evaluation in the initial stages. This is particularly the case with pilot studies designed specifically to assess the potential benefit of a new large-scale financial education programme.

3. External evaluators: adding credibility, skills and independence

The use of external evaluators should be encouraged wherever resources permit. Good evaluators have the necessary skills to ensure a robust evaluation design, the
contacts to access information that might otherwise be difficult to obtain and the experience to find solutions to any issues that arise during the evaluation process. Their independence can also encourage participants to respond more openly.

When choosing an external evaluator, consideration should be given to whether they have appropriate levels of knowledge about each element of the programme, including the subject matter, the delivery method and the target group. Similar consideration should be given to their skills and experience, including their ability to report the findings of the evaluation in an accessible way.

The share of the evaluation undertaken by an independent expert should depend on the specific nature of the evaluation. When an evaluation is based almost entirely on monitoring data, for example, the external evaluator should review the data and the subsequent analysis to confirm that there has been unbiased reporting.

Effort should be made to encourage doctoral students and others to work in the area of financial literacy programme evaluation in order to increase the number of external evaluators available.

4. Appropriate evaluation design

The design of the evaluation should take into account the objectives of the programme, the size and length of the programme, the target audience and the delivery method. It should also be appropriate to the needs of the stakeholders, including those tasked with applying the findings of the evaluation to future programmes. Priority should be given to evaluation that is designed to attribute observed changes amongst the target audience to their participation in the programme.

**Aligned with well-defined programme objectives**

An evaluation should be designed to assess the extent to which a programme has met specific targets and goals and whether it has completed its overall objectives. This is achieved by aligning the evaluation design with the programme objectives.

Financial awareness and information programmes may incorporate elements of three different types of objective, each of which requires a different evaluation design:

- The first type of programme provides consumers with information, and the objective is often to reach as many people as possible. In such cases monitoring data provides sufficient evidence that the programme has met its objectives.
- Other programmes are designed with the objective of increasing knowledge or skills. In these cases, tests should be distributed before and after the programme to indicate whether learning has occurred. Follow up studies can be used to explore the extent to which the knowledge or skill has been retained.
- The third type of programme is intended to develop new behaviours or change existing behaviours. Evaluators should consider employing long-running monitoring and evaluation processes to assess the extent of behaviour change.

Programmes often address more than one of these objectives, and in such cases the evaluation design will incorporate several methods.

If a financial education programme does not have well-defined objectives, evaluators should identify external benchmarks (such as the performance of similar programmes run elsewhere) against which the programme can be assessed. This is more likely to be necessary when a programme is not designed with evaluation in mind.

**Appropriate to the size and length of the programme**

Financial education programmes should be evaluated regardless of size, but larger programmes provide more options in terms of methods used and the full range of options should be considered in such cases.

The evaluation of smaller scale programmes should be designed with particular regard for the implicit budgetary constraints and the small number of participants from which to draw a sample.

Some financial education programmes take place over several sessions, whilst others are delivered at a single point in time. The amount of input expected of participants should be proportionate to the amount of provision received. Financial education programmes designed to run over several sessions can be designed to incorporate repeated participation and should ideally incorporate evaluations that capture changes over time.

**Taking into account the target audience and delivery method**

When evaluating a programme that is designed to reach the whole population, priority should be given to using national data such as surveys of financial literacy or aggregate economic indicators. Evaluation designs that automate monitoring and evaluating processes should also be considered as cost effective approaches to data collection in such situations.

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5 Additional guidance on choosing appropriate evaluation designs is available from Lusardi (2011), OECD/INFE (2010a), and OECD/INFE (2010b).
The design of evaluations that focus on programmes targeting a subset of the population will depend on the extent to which variations in the economic status, education levels, literacy, numeracy or language of the financial education participants may impact on their ability to input into the evaluation process. The extent to which target audiences are transitory or vulnerable must also be factored into the evaluation design.

The design of the evaluation should be aligned with the delivery method in order to contain costs and provide reliable data. For example, users of web-based learning may be too geographically dispersed to interview in person, but could readily be approached by telephone, email or via an online survey.

**Attributing change to the programme**

Evaluations should indicate to stakeholders the extent to which programmes have changed levels of knowledge, skills, behaviour or attitudes (where these outcomes are in line with the objectives of the programme). Not all evaluation designs can prove a causal relationship between a financial education programme and observed changes; but ideally, priority should be given to designs that can prove such a relationship. The most rigorous way of inferring a causal relationship is to undertake a parallel study with a group of people who did not participate in the programme (a control group or comparison group, depending on how they are chosen). If the programme participants exhibit changes that have not occurred in the parallel study, then it is reasonable to attribute the changes to the programme.

A well designed qualitative study can give valuable insights into the additional factors that may explain any changes observed and should be considered as an important part of evaluations seeking to understand how change occurred. This could include depth interviews, case studies or focus groups.

In order to attribute levels of knowledge or skill to the programme and identify improvements, the evaluation should incorporate a measure of knowledge or skill before and after participation. Longitudinal studies should be considered with repeated follow-up of programme participants in order to identify changes over time and the extent to which such changes are long-lasting.

**5. Reporting**

Policy makers should encourage the reporting of evaluation findings to the extent possible. Reports should discuss both the positive and negative findings in order to properly inform future programme design.

Evaluations are only truly valuable if people learn from them; they need to learn what has worked, and what has not worked. When evaluations are reported in an unbiased way they can help both the programme designers and others improve aspects of the financial education on offer and avoid costly mistakes in the future. Sharing the findings also allows others to benchmark their own programmes and set targets.

Stakeholders should identify their reporting needs during the design phase of the evaluation. Depending on the complexity of the evaluation design, many months may elapse between data collection and final reporting. During this time, the benefit of interim reporting should be considered, keeping in mind the possibility that findings will change as more data become available.

**References**


In Sao Paulo, a group of Brazilian high school students is taking a mathematics class, some paying attention to the teacher, some daydreaming. Across the city, at the same time, in another classroom, another group of students is also taking a mathematics class. The only difference between the two classes lies upon the desk in front of them: the textbook used for instruction. The first group of students has an experimental new textbook integrating the mathematical concepts and methods with case studies about financial management and related activities to do outside class, whereas the second group of students is using last year’s textbook. As the school bell rings, students from both classes rush out, many of them texting on mobile phones or heading to part-time jobs. Later in the day, however, some may pause to consider how they are managing their cellphone plan. Some may have a conversation with their parents about household finances. Others may forgo buying a coveted item on an expensive installment plan in favor of saving their paychecks for a longer-term goal.

Will students using the new textbook think or feel differently about their choices, when compared to students just like them in the regular classes, and will they act differently? Are differences more likely to manifest today, right after class or a year from now? If and when such a gap begins to appear, will it vanish or grow larger over time? Even more intriguingly, ten years from today – when these one-time students are managing household expenses, budgeting with a spouse, making credit card purchases and starting to save for retirement – is the experimental group likely to be doing better, potentially by a margin large enough to justify the cost of the new textbooks? Could they conceivably be doing worse? Or will they simply be the same – just as if no additional textbook had ever been used at all? Finally, to all these previous questions, we can add a shadow question: why?

These questions are real, as are the students, who are participating in a large and rigorously designed World Bank evaluation of this school-based financial capability program. Meaningful answers to these questions are naturally important to the students, parents, schools, policymakers, researchers and funders involved. On a
larger scale, they also matter for educators, researchers, policymakers and funders in similar settings, who are facing the limitations of a relatively small scientific evidence base on financial capability programs both in the schoolroom and well beyond it. This Toolkit provides a practical guide to conducting evaluations of financial capability programs in the developing world, combined with a series of examples based upon pilot evaluation projects funded by the World Bank’s Russia Trust Fund that promise to significantly expand the existing knowledge base on financial capability.

Why does financial capability matter?

In most of the developing world, the financial landscape for the poor remains challenging. In 2012, for example, data from the Gallup-World Bank Financial Inclusion Index Database show that in low- and middle-income countries (LMIC), only 24% of the population uses bank services. Only 17% of adults personally paid for health insurance (virtually none in low-income economies). While many still depend on agrarian activities, only 6% of those employed in these sectors purchased crop, rainfall, or livestock insurance in the last year. Instead, more than 1 in 10 adults have outstanding loans for emergencies or health-care, the majority of which come from informal sources such as social networks. In other respects, however, the data show times are changing rapidly and perhaps in unexpected ways: in low-income countries, almost 90% of adults have formal accounts at a bank, credit union, a cooperative, post office, or microfinance institution. Only 5% of adults in low-income countries reported saving in a savings club, while 45% reported saving in a formal financial institution. While formal account ownership is lowest in sub-Saharan Africa (24%), new models for financial inclusion are emerging: 16% of adults report having used a mobile phone to pay bills, send or receive money in the past 12 months, more than 5 times the prevalence in the rest of the developing world.

These trends and patterns underline the continuing need to build healthy financial inclusion in LMIC, while acknowledging the profound diversity that exists within the LMIC context and individual countries themselves. However, by taking a capacity-driven view of financial capability, it is possible to draw on some underlying commonalities across the wide range of experiences and institutions. While their specific circumstances may vary, financially-capable consumers have the basic knowledge, skills and attitudes to make financial decisions that are in their own best interest and the ability to implement these decisions across several key areas, such as managing money, planning for the future, and choosing appropriate financial products (including the ability to adapt to new markets and technologies). They are self-aware about their level of financial efficacy and understanding. As a result, they are more likely to achieve relative long-term economic well-being and more resilient to external shocks, potentially also leading to better overall physical, mental and emotional well-being for themselves and members of their households.
The need for an evaluation toolkit

Many public and private stakeholders have supported the development and implementation of interventions for improving financial capability in low and middle-income nations around the world. However, while decision makers are faced with a growing list of needs to meet and choices to make, evidence about what works, and how to best invest resources for improving financial capability remains sparse. A critical reason for this is the relative scarcity of robust, high-quality evaluations, particularly (but not only) in the LMIC setting.

Ideally, a comprehensive approach to high-quality monitoring and evaluation (M&E) seeks to examine the design of the program and the processes of its implementation, to identify effects that can be causally attributed to its activities, to draw conclusions about these effects that reflect both program theory and the realities of implementation, and to derive insights that can be reasonably generalized to a broader population. A good M&E system facilitates ongoing project management and decision-making, identifies and addresses potential risks, bolsters transparency and accountability, and supports communication with internal and external stakeholders during and after program completion. The larger benefit of rigorous evaluation is also that each evaluation contributes to the generation of collective knowledge about the relative efficacy of different programs, their sustainability and their replicability. However, evaluation cannot be seen as a “one-size-fits-all” proposition. Different types of evaluation – whether formative, summative, process or impact evaluation – address different aspects of this overall picture, and a range of methodological tools – whether qualitative or quantitative – may be applied as part of one or more types of evaluation.

However, most LMIC settings fall short of ideal. Often, the potential value of M&E has to be weighed against financial, logistical, and human capital considerations. Moreover, the complexity of characterizing and evaluating personal or household finances in this environment can often create further barriers to evaluation. Dialogue among researchers, policymakers, and program managers about the value of M&E is often further limited by confusion about exactly what is implied by monitoring and evaluation and the different (albeit related) types of evaluation.

Conducting evaluations of financial capability programs in LMIC under resource and time constraints therefore calls for a knowledgeable eye, a creative spirit and a pragmatic hand. Planners need to be able to combine an awareness of the available possibilities with a sense of proportionality: tailoring the objectives, scale and scope of the final activities to be appropriate to the objectives, scale and scope of the program itself. M&E can be highly resource-intensive, and failed efforts can lead to significant waste of resources and goodwill, potentially even jeopardizing future evaluations and opportunities for learning. The final plan should recognize the
special challenges inherent to assessing financial capability and demonstrate sound technical understanding of the methods needed to provide credible answers to the evaluation questions. It should be deeply rooted in context of the specific program at hand as well as the experience of similar evaluations.

**Who should use the Toolkit and how?**

The components of this Toolkit address the needs of two distinct stakeholder groups:

- Practitioners and policy decision makers with significant background in financial capability or other users with little or no formal evaluation training
- Experienced evaluators with no significant background in financial capability

For the former group, the Toolkit begins with a basic introduction to the concepts behind M&E, the different types of evaluation as well as the qualitative and quantitative data collection and statistical methods needed to conduct them, as a foundation for the whole.

The first step is to develop a thorough understanding of the program theory, starting with goals and objectives. Goals are broad aims that summarize the program’s vision (e.g., increasing student financial capability) while objectives set out realistic expected or desired magnitudes of change in specifically defined indicators over a definite period (e.g., increasing financial knowledge test scores by 10% within the period of 1 year). Once program goals and objectives have been specified, the next step is to articulate how the program is expected to accomplish its goals by formalizing a logical, sequential argument for how and why the program should deliver the desired results (a *theory of change*). The Toolkit provides a simple results framework model to help readers visualize by systematically mapping the links from the program’s inputs, activities, and outputs to its expected outcomes and impacts, and explicitly listing any assumptions and risks that may affect these links. A sample results framework model might look like this:
The Toolkit then goes on to discuss a basic typology for M&E:

- **Monitoring** refers to the regular tracking of the program’s operation through the ongoing collection and review of information. It provides rapid insights into the status of inputs, activities and outputs; markers of progress towards work plans and milestones; and identification of emerging threats to success. **Evaluations** assess project operations and performance relative to goals and objectives. As such, evaluations are conducted at strategic moments in the program cycle, such as at the initiation, the mid-term and completion of the project.

- **Process evaluation** is a formal assessment of the nature, quality and efficiency of a program. While monitoring routinely tracks management and delivery, process evaluation focuses on higher-level issues related to whether the program is performing as planned. In this regard, monitoring data can be viewed as an input to process evaluation. Indeed, process evaluation addresses a wide-ranging set of questions with respect to outputs, implementation/operations, and appropriateness/acceptability, which can and often should include an assessment of the monitoring system itself.

- **Impact evaluation**, by contrast, is very narrow and addresses a very specific question – what is the **causal effect** of the program on outcomes such as financial knowledge, skills, attitudes and behavior? Causal effects are the changes in the outcomes that are **directly attributable** to the intervention. While causality is a straightforward concept to understand, it can be difficult to establish. Ideally, we would like to observe the difference between an individual’s outcome in two alternate worlds, one where a financial capability intervention was administered and one where it was not. The alternate world where the intervention was not received is known as the **counterfactual**. In the real world, the best that we can do is to estimate the intervention effect, by comparing a **treatment** group (in our example, students in schools that receive the textbook and teacher training) to an untreated **comparison** group which acts as a proxy for the counterfactual. In the special case of a randomized trial we refer to this as a **control** group.

The Toolkit provides a basic primer on how to plan for M&E, from inception to data collection and dissemination. The Toolkit also presents a menu of quantitative and qualitative methods for data collection and analysis, illustrating the underlying concepts and highlighting best practices. Planning M&E activities from the beginning of a program as part of the program cycle as shown below is desirably intuitive and can lead to significant advantages, both in terms of logistics and analytics.
In particular, for impact evaluation, the strength of the causal argument rests on the plausibility of the counterfactual. *Confounding factors* can erroneously lead one to attribute the change in outcomes to the intervention, when some other factor drove the changes. A common evaluation design is to compare participants before and after a program, but in this case it is difficult to completely rule out the possibility that changes in financial outcomes may be due to any other simultaneous events. For example, if measured student knowledge rises after a school-based financial literacy curriculum is implemented, it may not be easy to discount the possibility that scores rose for other background reasons. In cases where the treatment and comparison groups are not created randomly, systematic differences between groups can lead to *selection bias*. A common yet problematic design compares participants who opt in to nonparticipants who opt out, leaving open the possibility of self-selection. For
example, if financial education in schools were voluntary, significantly higher test scores among participants might lead us to credit the classes for the difference. However, those who choose to participate might also be more hardworking, studious, and dedicated than those who did not.

However, in practice, evaluation often begins at times or under circumstances that lie outside the control of the evaluator, which can have serious implications. We thus review different options for evaluation design with varying strengths and limitations, including:

- **Randomized controlled trials (RCT).** Here the group that receives the intervention (treatment group) and the group that does not (control group) are formed by *ex-ante* randomly assigning the financial capability intervention to a fraction of the eligible participants.

- **Regression discontinuity design (RDD)** is a retrospective method that permits policymakers to draw causal inferences from observational data by comparing participants just above an eligibility threshold who are not eligible for the intervention (the comparison group) with those participants just below the threshold who are eligible (the treatment group). For example, if participation in a financial literacy training program is determined by scores on a screening exam, the exam scores could be used as the eligibility index.

- **Instrumental variables estimation (IV)** is a technique commonly used in settings where participation cannot be controlled. This technique exploits the presence of a known and unrelated external factor that affects program takeup. In the context of financial capability, we focus on one application of instrumental variables – the *encouragement design* which randomly assigns incentives that encourage participants to take part in the intervention.

- **Propensity score matching (PSM).** This methodology mimics randomization by trying to match treated individuals to untreated individuals based on a vector of control variables, creating an observational analogue of a randomized experiment.

- **Difference in difference design (DID).** The key idea of this approach is to compare the change in the treatment group over time, relative to the change in the control group. By calculating the difference between the pre-post differences in outcomes of the participants and non-participants, we can isolate the effect of the intervention over time.

In every case, the goal should be to identify and implement the most robust design possible. The flowchart below illustrates one way to think through program circumstances and uncover the most appropriate design. For those seeking more methodological depth, the Toolkit provides further references as well as a technical appendix.
Making Appropriate Program-Driven Evaluation Design Decisions

Is there a plan to evaluate before the start of program?

YES

Can you randomize treatment assignment?

YES

Randomized Control Trial

NO

Can you randomize incentives?

YES

Regression Discontinuity

NO

Encouragement Design

Can treatment be assigned using an eligibility rule?

YES

Instrumental Variables

NO

Does probability of treatment assignment depend on external factor?

YES

Propensity Score Matching

NO

Is there large administrative data on program participants?

YES

Difference in Difference

NO

Is there data before and after program for participants and non-participants?

Best Convenience Sample
While a reliable quantitative estimate of program benefits is a leading priority for decision makers and the starting point for any cost-benefit and cost-effectiveness analysis, being able to look into the black-box of an overall program effect can help answer more fundamental questions about its theory of change as well as to help interpret the findings.

- If a program succeeded, what were the underlying mechanisms that led to behavior change? What were the most relevant barriers and constraints to financial capability to address in the target population?
- If a program did not succeed, to what extent was failure due to conceptual issues (faulty program logic), targeting issues (inappropriate participants), or execution issues (faulty implementation)?

Qualitative methods such as interviews, focus groups, site visits/observation, document review and case study preparation can produce a rich and informative picture of the program. Such methods provide a less structured, open-ended, flexible method of inquiry that allows for discovery of unanticipated effects, leads to insights that cannot be fully captured through surveys and other quantitative methods and provides a useful alternative avenue for further exploring research questions when extended quantitative analysis is limited by budget, time or data constraints. However, qualitative analysis typically is limited in the ability to conclusively attribute observed changes to the program under scrutiny or generalize to the entire population, because sample sizes are too small and because the sample is usually not created to be representative of the population. While non-participants can, and often should, be included in a qualitative inquiry, typically the aim of this would be to obtain a wider understanding of a program in a community rather than to create a true comparison group. Qualitative research methods that are participatory in nature can also increase the acceptability and use of findings.

Combining different types of evaluation as well as different methods allows for assessment of both the “what” and the “why” of programs – for instance, using quantitative impact and process evaluation to estimate the magnitude of impacts and the quality of implementation, as well as qualitative methods to help shed light on the underlying causal mechanisms.

Finally, the Toolkit provides a series of decision tools and checklists to clarify and simplify key decisions related to the planning and implementation of M&E. The Toolkit also provides model templates for evaluation planning and survey instruments based on the Trust Fund pilots for adaptation and use.

For experienced evaluators, the key contribution of the Toolkit is to provide practical guidance for program managers and other stakeholders specifically related to the evaluation of financial capability programs in LMIC. Each chapter of the Toolkit is illustrated with the diverse experiences of these projects as well as
other seminal studies to provide readers with reference points based on a variety of programmatic types and evaluation methods.

- Some pilots explore innovations to more traditional forms of financial education, such as school-based programs. Pilots in Brazil and Kenya explore new pedagogical approaches to school-based financial education for high school students—a textbook that integrates financial capability into the regular high school curriculum, as well as parent workshops in Brazil, and comic books and after school clubs in Kenya. Other pilots are testing new and exciting “edutainment” delivery models that inject education into drama, street theater, radio, television, film, and social media tools, including a soap opera in South Africa, and a feature film in Nigeria. Others address critical trends in developing country financial markets such as the increase in mobile banking and electronic payments, and new opportunities for consumer engagement emerging in both the public and private sector. For instance, in the Dominican Republic, financial training is being provided alongside a conditional cash transfer program to assess whether such (increasingly popular) programs can be effectively leveraged to include financial literacy education and access to financial services. In India, researchers are evaluating a financial inclusion and literacy intervention bundled with “doorstep” banking, while in Australia and New Zealand, others are evaluating the impact of financial literacy training for migrant workers on their remitting behavior.

- The pilots illustrate a rich spectrum of methods in practice, including evaluations of complex multi-component interventions. In Mexico, researchers are comparing the benefits of improved disclosures and education about credit and savings products, versus SMS messaging and incentives to contact a consumer hotline, analyzing a full spectrum of approaches to consumer protection. In the Dominican Republic, the evaluation will assess the impact of alternative combinations of interventions—transfers paid through debit card, transfers paid in bank account, basic training, in-depth financial literacy, opening of savings accounts, and access to a credit-line.

The Toolkit also includes discussions of important special topics such as

- The development of indicators and measurement instruments suited to financial capability in the LMIC context, developed in collaboration with the Measurement project also being undertaken by the World Bank with the support of the Russian Trust Fund.
- Commonly-encountered practical challenges related to evaluating financial capability programs in LMIC, such as compromises in implementing and maintaining randomization (for example, informal transmission of financial education between treatment and comparison groups), appropriately capturing the complex economic lives of the poor (for example, accounting
for seasonal or informal work, household micro-enterprise and transfers within an extended social network) and minimizing experimentally-induced confounding effects (for example, frequent recording of financial transactions may motivate students to manage their money better; elsewhere, observing teachers may lead them to exert additional but only temporary efforts in the classroom).

- Ethical issues related to financial capability programs, including maintaining standard human subjects research standards that protect participants’ integrity, privacy, safety and human rights through multiple safeguards. The Toolkit also articulates additional ethical concerns specific to this context. Almost by definition, many program participants may be unable to make informed judgments about their own finances and may be more susceptible to deliberate or accidental misinformation. The collection and use of sensitive financial data or unanticipated effects of interventions themselves may introduce economic and financial risks to participants. Where national financial and legal structures are underdeveloped, participants may not have access to insurance, consumer protection laws or other methods of formal redress, making them more vulnerable to adverse situations that might emerge from the program or evaluation. The Toolkit offers guidance on staying mindful of these ethical concerns and instituting protocols to mitigate them, such as strict procedures for recruitment, informed consent and confidentiality.

As noted earlier, there is a shortage of empirical knowledge about which financial capability programs work and why. The Toolkit therefore concludes with a discussion of ways to document and communicate the results of M&E, in order to generate the dissemination that is critical to the development of a more robust evidence base.

*How can I learn more or contribute to the Toolkit?*

The Toolkit is intended to provide a practical and accessible guide to evaluating financial capability programs in LMIC, drawing on experiences that bring to life the specific circumstances and challenges in this field. Our hope is that the material presented here supports the efforts of a diverse group of users and contributes to the generation of an ever more robust body of evidence on how to support financial consumers around the developing world in their quest to achieving financial security. The initial draft of the Toolkit is currently under peer review. The Toolkit is currently awaiting reviewer comments as well as final input from the pilot projects (most at or nearing completion) to complete the case studies and examples. For further information or to provide welcome feedback, please contact Angela Hung (ahung@rand.org), or Joanne Yoong (jyoong@rand.org).
Case Studies: Methods and Findings from Evaluation Studies

i. Entertainment Education to Improve Financial Capability in South Africa

Gunhild Berg, Financial Sector Specialist at the World Bank, presented her team's research to pilot entertainment education as a delivery tool for improving financial capabilities in South Africa and evaluate the effectiveness of this method. Ms. Berg presented information on the problem of debt in South Africa. Working through a popular soap opera called Scandal!, the storyline focused on debt aspects of financial capability including sound financial management, and getting into and out of debt. The presentation considered some of the challenges to developing a quality story line and conducting an effective impact evaluation on this type of intervention. Finally, the presentation considered some preliminary results from the evaluation. The complete presentation can be found at www.finlitedu.org and a full project profile can be found on page 57 of the Overview of the Russia Trust Fund for Financial Literacy and Education Trust Fund.
Scandal! – The Story Beats

- **Getting into debt.** Caused by financial mismanagement, for example, impulse buying and/or living beyond means.
- **The effects of financial mismanagement and debt,** for example, breakdown of relationships and family, turning to alcohol and drugs to cope etc.
- **Acknowledgment that a problem exists** with managing finances which has led to debt, which in turn has led to other problems.
- **Getting out of debt.** Practical steps for seeking help, for example, debt counselling, assessment tools and debt recovery.
- **Sound financial management,** for example, using credit wisely, budgeting, setting goals.

Methodological Challenges for Impact Evaluation

Methodological challenges of evaluating the impact of a soap opera on attitudes and behavior:

1. The effect of the soap opera’s message needs to be separated from messages on similar issues that viewers may be receiving from other sources.
2. Individuals self-select into watching soap operas, confounding subsequent behavior change.
3. The soap opera is broadcasted nationally.

**Proposed Solution: Random Encouragement Design Methodology**
Preliminary results

- No immediate impacts on financial management, knowledge, or attitudes e.g. impulse buying, budgeting, gambling.
- Need for follow-up survey at a later point because change takes time.

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Preliminary results

- Large effects of the call to action to consult the NDMA hotline, both from the survey and from the call-center data

<table>
<thead>
<tr>
<th>Treatment: Scandal</th>
<th>0.103***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.687***</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.014</td>
</tr>
<tr>
<td>N</td>
<td>771</td>
</tr>
<tr>
<td>Control Mean</td>
<td>0.687</td>
</tr>
</tbody>
</table>

![Graph showing customer calls by agent over time from 01/Jan/2012 to 01/May/2012 with peaks and valleys indicating customer activity.]
ii. Mexico: “Evaluating the Effectiveness of Mexico’s Credit and Savings Disclosure Reforms”

Xavier Gine, Researcher and Senior Economist at the World Bank profiled his team’s research on the effectiveness of credit and savings disclosure reforms in Mexico. He detailed the research on the transparency of financial products and the research methodology that was used by his team. The project was conducted in collaboration with the CONDUSEF of Mexico, a government body and member of the National Council for Financial Inclusion. The project was conducted in four towns outside of the Distrito Federal with middle and low-income residents and involved 19 regulated and unregulated financial institutions. The full presentation can be found at www.finlitedu.org and a full profile of the research on Mexico Credit and Savings Disclosure is presented on page 51 of the Overview of the Russia Trust Fund for Financial Literacy and Education Trust Fund.

### Example: Credit

- **CAT = 26.7%**

### Example: Savings

- **CAT = 107%**

### Setup

- Collaborative effort with CONDUSEF, member of the National Council for Financial Inclusion
- 4 towns near DF, with population between 30,000 and 50,000 inhabitants, predominantly from the low-middle income socio-economic group.
- 19 FiPs (regulated and not) have presence
  - Commercial Banks, Low income banks, SOFOMS, SCAPS and SOPPOS

### Conclusion

- Staff appear to be misinformed about all the characteristics of the products offered
  - Voluntary provision of information is low
  - Do not know what GAT is
- Misalignment of incentives between staff and shopper
  - Shopper typically ends up with more expensive product

### Setup

- 4 professional shoppers carried out 112 visits
  - Each shopper made 7 visits to different institutions in each town
- Each visit lasted on average 25 minutes, including 15 minutes of face to face with staff.
  - Wait time in Commercial Banks longer than rest
  - Longer interview time with Experienced shoppers
- After visit, shopper had to fill in a questionnaire, validated via recording.

### Conclusion

- Disclosure and transparency policies are difficult to implement successfully because FiPs have a strong incentive to undo them
- They are insufficient to correct the lack of information
Special Issues in Developing Programs and Communication Campaigns

OECD/INFE Public Communication and Awareness Campaigns: The Case of Pension
OECD/INFE Public Communication and Awareness Campaigns: The Case of Pension

Summary and Main Guidance

I. Introduction

Pension reform remains high on the policy agenda of many countries around the world. Ageing populations and fiscal pressures have led governments to reform their pension systems substantially. Most of these reforms are expected to lead to a growing role for private pensions, and in particular defined contribution (DC) fully-funded arrangements, where risks are borne directly by the individual. In DC plans the individual bears increased risk and is required to make a variety of complex financial decisions (how much to save, in which funds, which retirement income product to choose, etc).

As a result, policy makers face a major public policy challenge to ensure that people are adequately informed about changes in the pension system, the impact of those changes on their pension benefits, and the options they face to improve their financial well-being in retirement.

There are various challenges for any communication initiative in the area of pensions: the lack of interest in the topic for a large part of the population (especially the young), the perceived or actual complexity of the topic, and the low level of financial awareness and literacy of consumers, especially among the more vulnerable groups. Good communication and effective information disclosure are therefore essential to ensure the success of pension reforms in general, and of DC systems in particular.

The OECD and its networks have analysed the public communication challenges in relation to two related areas of pension policy: II) National Pensions Communication Campaigns related to pension reforms (possibly involving the introduction and refinement of DC systems); and III) annual pension statement sent to members of funded DC pension schemes.

II. Lessons from National Pension Communication Campaigns

As reflected in the OECD Recommendations on Good Practices for Financial Education Relating to Private Pensions, launched in 2008, communication campaigns should be developed to “explain public policy clearly (particularly where mandatory savings are involved), including pension reform, the pension environment, increased individual responsibility, and demographic changes that require individuals to save more. This will help to maintain confidence and transparency in the pension system and thereby encourage individual saving for retirement” (OECD, 2008b).

The OECD analysed the pre-campaign planning, the design, the delivery, and the monitoring and evaluation of National Pension Communication Campaigns (NPCCs) in a range of OECD and non-OECD countries, identifying barriers to effective communications and highlighting models of good practice in order to help organisers design campaigns that are more effective in terms of impact and more efficient in the way they use resources.

This research builds upon a stock take conducted among members of the International Network on Financial Education (INFE) to assess the needs and gaps in relation to pension communication issues.

The objectives of NPCCs vary but generally involve a set of purposes: to raise awareness, to increase confidence and understanding, and to encourage individuals (and in some cases employers) to make appropriate decisions. Most of the NPCCs surveyed relate to the introduction and further refinement of funded defined contribution (DC) systems as part of a pension reform but the research also found examples of broader campaigns used to communicate information about all relevant pension systems, including state (public) schemes. In several cases, the NPCCs form an integral part of on-going financial education programmes.

1 For an OECD review of the evidence on pension and financial education, see OECD (2008a).
2 A more detailed analysis of these topics is contained in two OECD working papers available at http://www.oecd.org/ daf/financialmarketsinsuranceandpensions/privatepensions/ oecdworkingpapers/financesinsuranceandprivatepensions.htm and on the Trust fund website at www.finlitedu.org. See Atkinson et al. (2012) and Antolin and Harrison (2012).
The main findings and lessons from the research are as follows.

1. **Clear and measurable objectives drive successful campaigns**

The most important aspect of any NPCC is its goals. Clear goals drive successful planning, implementation and evaluation processes. The most important goals identified in this research are: to build consensus for the reform; to raise public awareness about changes in pension systems; to explain the individual’s choices and the potential implications these choices have for their financial well-being in retirement; to strengthen public trust and confidence in the institutions in charge of pension reform and retirement income provision; to facilitate the employer and individual’s active and informed decisions; and to encourage specific behaviour, such as voluntarily joining a new system, increasing contributions or postponing retirement.

2. **Communication campaigns require robust evaluation processes**

The NPCCs analysed reveal a marked disparity in pre-campaign research and consumer testing of materials and channels, which is essential to establish baseline measurements and to ensure that communications are effective, in terms of impact, and efficient, in terms of relative cost. It is only through pre-campaign research and regular monitoring and evaluation of the campaign itself that lessons can be learned for future NPCCs. In many cases pre-campaign research did not take place at all. One-in-three of the NPCCs surveyed conducted pre-campaign analysis (including Ireland, New Zealand, Poland, Singapore, and the UK).

Most organisers put in place at least the basic quantitative monitoring processes for campaign activities, such as the measurement of website hits and public contact with call centres, plus surveys to assess information recall. Half of the organisers used face-to-face consumer surveys and/or focus groups to provide more detailed qualitative feedback (including Estonia, Denmark, Hong Kong, Mexico, Singapore, Sweden, and the UK).

3. **The management of private provider relationships is critical**

Working in partnership with private providers is considered important where these organisations will deliver the products and services that support the pension system. However, organisers in Hungary and Poland, for example, reported problems where the NPCC coincided with the sales and marketing campaigns of private operators, which overshadowed the government’s impartial information. This led to a situation where individuals misunderstood the new system, over-estimated its potential benefits and underestimated the cost and risks.

The problem identified here is that while the distinctions between information and advice are well understood by regulators and supervisors, frequently they are confused in the mind of the consumer. Organisers recommended, therefore, that it might be prudent to delay providers’ sales campaigns while the NPCC is in progress. It is also important for supervisors and regulators to monitor the charges private providers adopt for their products together with the assumptions they use in their projections of retirement incomes, as these factors may cause consumer detriment and misunderstanding. In Hungary, for example, the organiser said that the first government campaign, which was overshadowed by the high-level of advertising conducted by private pension operators, was further marred by consumer complaints that the products available under the new system were too expensive.

4. **Pension reform requires phased NPCCs to sustain momentum**

Low financial literacy is the most common challenge NPCC organisers reported. Organisers stressed that key messages need to be sustained through a rolling programme of NPCCs, supported by a broader on-going programme of financial education that targets the entire population from the pre-employment community (schools) to retirees drawing plan benefits. They also stressed the importance of keeping messages short and simple, suggesting that complex reform details should be broken down into appropriate and thematic component parts, which can then be delivered in a series of communication phases.

The first phase might be to announce the reform and its benefits in order to achieve public consensus, while the second phase might explain the individual and employer’s responsibilities and choices under the new rules. Examples of phased NPCCs are found in the case studies on Estonia, Hungary, New Zealand, Singapore and the UK. Further phases are used to maintain momentum and also to coincide with significant milestones, such as the date that the first cohort of members begins to draw benefits (Estonia).

5. **Targeted communication delivers clearer messages**

Several NPCCs demonstrate a keen awareness of the communication requirements of different sections of the population, which is divided according to demographic and attitudinal profiles. Population classifications might relate to age, ethnicity, gender or occupation, for example, as in the case of Denmark, Ireland and New Zealand, which placed a particular focus on labour market characteristics. Organisers paid particular attention to unskilled workers, rural workers, indigenous peoples, and immigrant or international workers – groups regarded as under-pensioned. A different approach uses behavioural categories (Hungary’s second campaign
and the UK), whereby the population is divided according to perceived levels of awareness, interest and willingness to engage and take action.

Targeted communication is especially important where different messages apply to different sections of the population, for example if the new system is mandatory for one age group, voluntary for a second, and not applicable to older workers. This was the case in the late-1990s campaign in Poland, which encountered problems when it attempted simultaneously to highlight the merits of the new system and to stress the benefits and security of the older system.

6. Increasing diversity evident in the use of communication channels

In addition to the common use of a dedicated website and advertising on television, radio, and in the press, several NPCCs demonstrated an innovative approach in relation to specific target audiences. Ireland’s NPCC, for example, used cinema to reach young people, whom the organiser regarded as ‘light’ TV viewers. It also made extensive use of radio because the population has the highest level of radio audience in Europe. A notable innovation used by Ireland, New Zealand and the USA was social media, while New Zealand also found communication via mobile phones particularly useful during holiday periods.

7. Outreach is successful in actively engaging target audiences

In more recent campaigns organisers have focused resources on outreach programmes, such as ‘meet the people’ sessions, road shows, seminars, and adult education workshops. Feedback generally is very positive, as outreach engages the public in ways that passive communications and advertising does not. Extensive outreach programmes were used by Hong Kong, Mexico, Poland, Singapore, and the USA.

8. Insufficient budgets restrict scope of campaigns

Campaign budgets from central sources vary considerably and in some cases were regarded as inadequate to achieve the NPCC’s objectives. Under-funded campaigns will be limited in terms of research and communication channels. Examples of this problem include Indonesia, which lacked human resource capacity among other factors; Mexico, where the campaign suffered due to lack of regional representation; and the USA, where lack of resources made it difficult to reach diverse and underserved sections of the population. Clearly it is essential in these cases to ensure objectives are realistic and that channels used are cost-effective.

9. Coordination developing between NPCCs and financial literacy campaigns

There is a clear interrelationship developing between the NPCC and the broader financial literacy agenda for the population as a whole, as well as financial knowledge courses in schools and other education establishments. The Hong Kong NPCC formed part of the government’s general financial education programme, while the on-going education and information programmes in Australia and the USA aim to raise financial awareness, including about pensions, across all age groups.

The introduction of class-based learning modules in schools and colleges are also essential in order to educate and prepare future generations of workers about their pension choices, rights and responsibilities. Examples of school programmes are found in the case studies on Ireland, Mexico, Poland, Spain, and the USA.

10. Financial crises require increased communications about DC investment

The recent financial crisis prompted several NPCC organisers either to launch a dedicated campaign or to increase communications as part of an on-going programme in order to address individuals’ concern about investment volatility, to remind them about the long-term nature of their pension plan, and to make them aware of the help-lines established for members with specific questions. Financial crisis NPCCs were used in Ireland, Israel and Mexico.

III. Annual DC pension statements and the communications challenge

Another crucial issue in pension communication is the design of the annual pension statement sent to members of funded defined contribution (DC) pension schemes in a selection of OECD and non-OECD countries. The aims of this research are to identify the potential shortcomings in statement planning and design processes, to consider potential barriers in communications to members, and to highlight trends and models of good practice in these critical areas. The overarching objective is to develop recommended guidelines for organisers, so that the statement can be developed as an effective (impact) and efficient (cost-benefit analysis, value for money) medium to deliver essential member information and to encourage appropriate member actions.

The key findings of the research are as follows:

1. The primary objectives of many pension statements are confused. Some pension providers appear to use statements largely to comply with regulatory disclosure requirements, while others use the statement to increase understanding and to prompt member action. The key difference here is that the former represents a passive document, while the latter is proactive: it aims to engage members and to encourage them to take important actions to improve their retirement income.

4 Further information available in Larsson et al. (2008).
2. The use of evaluation techniques is inconsistent. Quantitative, and in particular qualitative, research on member attitudes and responses to statement content and design is lacking in certain cases. There is a trend towards improved evaluation, however, for example where statement organisers conduct consumer research that tests whether the format and language used in the statement helps to increase member understanding and empowers them to take positive actions.

3. There is a disconnection between the acknowledged need for brevity, clarity, and simplicity, and the perceived need for an explanation of complex DC risks, for example in relation to how future employment patterns, inflation rates, investment returns, and longevity trends might affect the potential retirement income. From the consumer-focused evaluation research examined, it is evident that most members do not read, let alone engage with long and complex documents. Where proactive organisers are using consumer testing to improve statement design, the trend is towards a simple summary of key facts on the first page of the statement.

4. Regulatory disclosure requirements further undermine the objective of producing statements that are brief and simple. Instead of enhancing impact and reassuring members, the language and format of many disclosure statements examined are considered more likely to act as a further barrier to understanding and active engagement.

5. Most pension statements are annual but in a minority of cases they are more frequent. Given the potential volatility of investment markets, it is not clear what purpose is achieved by monthly statements, provided there is an online account that facilitates regular reviews at the member’s discretion. An important exception here is the additional statement sent as an alert, for example where it is necessary to draw attention to a new pension reform or to reassure DC plan members in the wake of a financial crisis.

6. The DC projection represents the most contentious area of debate in relation to pension statements. The debate is shaped by the fraught attempt to reconcile regulatory requirements and provider’s desire to explain risk and probability with the member’s understandable desire to see a simple projected retirement income that is expressed as a monetary value. Without this the member is unable to take action to improve the outcome. All of the statements examined use deterministic projections, which are based on fairly simple assumptions. Even these appear to cause members difficulty – indeed members might not even understand the term “projection.” Despite these fundamental issues, a minority of countries are considering the introduction of stochastic modelling in order to convey uncertainty more effectively, although this is likely to be restricted to the website. Overall, therefore, current practice and future trends in statement projections present a very diverse picture that requires much more analysis to ensure the primary objective of empowering individuals to make informed choices is achieved.

7. The annual interest rate or investment return assumptions used in projections vary widely, suggesting that in some cases the higher rates are not realistic and do not reflect current market conditions and historical experience. A return assumption of 8%, for example, as found in certain examples in this research, is potentially misleading. Moreover there is a marked inconsistency in the way that supervisors and regulators prescribe projection assumptions and whether or not these should take account of inflation and actual plan charges.

8. The written statement, as the sole means of communicating benefits, increasingly is recognised as inflexible and limited. While a written statement is considered necessary, due to the fact that internet access and usage is not universal, there is a trend towards greater emphasis on internet facilities and in particular the pension calculator. Overall, the internet appears to offer a more flexible delivery format that avoids information overload, as it allows the member to access information in accordance with their needs, while the web calculator is a powerful tool that encourages active member engagement and improves awareness of the connections between contributions and retirement income, among other factors.

9. There is a growing recognition that the value of the pension statement is limited if it refers to a single plan. While the provision of combined statements is considered complicated, there is a slow but welcome trend towards a document that sets out the member’s position in relation to the individual’s main pension sources, including state (public) pensions.

10. The challenges for pension statements reflect certain global trends, such as the increasing government emphasis on funded DC systems to provide a significant proportion of individual retirement income. However, while international comparisons provide considerable insight into planning, design and evaluation processes, such comparisons must always take account of important national differences.

References
Measuring Financial Capability and the Effectiveness of Financial Education

OVERVIEW OF THE WORLD BANK TRUST FUND SUPPORTED BY THE RUSSIAN FEDERATION
Measuring Financial Capability and the Effectiveness of Financial Education

OVERVIEW OF THE WORLD BANK TRUST FUND SUPPORTED BY THE RUSSIAN FEDERATION
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Evaluation Toolkit for Financial Capability Programs in Low and Middle Income Countries
The World Bank Financial Literacy and Education Trust Fund

Motivations for the Trust Fund

The increased role and complexity of financial markets and products has reinforced the need to improve the capacity of consumers to manage risks and effectively engage with the requirements of market economies, new financial products, emerging forms of social insurance programs and the associated need for individual life cycle planning, especially in low and middle income countries where financial inclusion is poor and educational attainments are low. To enable consumers in these countries to understand, access, and make better financial decisions requires interventions to improve knowledge, skills, attitude and behavior. Despite the nearly universal nature of the need to develop programs aimed at improving these capabilities, there is not yet a consensus about how to best define the knowledge and skills required to be financially capable, how to measure the level of capabilities among different groups and how to evaluate the effectiveness of programs designed to enhance these skills and capabilities.
What the Trust Fund is Doing

The primary focus of the Trust Fund is to assist with the development of a conceptual framework and operational toolkits for (1) **measuring levels of financial capability** and (2) **evaluating the impact of financial capability enhancement programs**. Financial support, intellectual guidance and technical assistance will be provided through the Trust Fund to develop innovative methods and test their application through support for country level programs.
Financial Capability Measurement
Measuring Financial Capability in Low and Middle Income Countries

Policy makers across the world are implementing financial education programs with the objective of improving people’s ability to make informed and effective financial decisions. This is particularly important given the increasing individual responsibility for life-long income planning and risk management, and the large number and extreme complexity of the products currently available in financial markets.

Financial literacy is considered to be a crucial factor enabling individuals to make good financial decisions and, as such, the main target for financial education interventions. Nonetheless, to date there is no clear consensus on what constitutes financial literacy. The term itself has been used in reference to different concepts. Most of the research literature has used the term to indicate knowledge of financial concepts such as compound interest, inflation and risk, or awareness of the existence of financial products or institutions. Researchers and practitioners, however, have come to understand that knowledge may not be sufficient to determine financial well-being. One of the main reasons for this is that many factors may affect how people use or fail to use the knowledge they have acquired. Improving access to finance and strengthening consumer protection mechanisms are two ways in which positive changes in the environment can enable individuals to make better financial decisions. At the same time, however, people also require certain skills, motivations, and attitudes to translate knowledge into behavior that generates positive financial outcomes.
The Financial Literacy and Education Trust Fund supported by the Russian Federation, is undertaking a comprehensive, empirically rigorous effort to understand how this broad concept of financial capability can be measured in low and middle income countries. The approach adopted by the World Bank in implementing this work is based on the idea that financial capability cannot be defined a priori in the same way as it is conceptualized in developed countries, because individuals in these environments may require very different knowledge, skills, or attitudes to manage their resources well and to be considered financially capable.

In order to understand these differences, the World Bank has supported and coordinated extensive qualitative research with the general public in eight countries across the world. Through these guided focus group conversations the research teams and expert group identified a number of concepts that were consistently mentioned across all countries as being elemental to any definition of financial capability. In order to measure these concepts, questions from existing surveys were selected, where available, and new questions were designed with alternative formulations. In each country, there were then two rounds of cognitive interviews conducted in order to probe and test the questions to make sure that they were well understood, relevant, and informative. The World Bank has selected those questions that proved to work best across countries and drafted a pilot survey questionnaire that is now being implemented in about 10 countries, consisting of the original countries that participated in the qualitative study, plus three additional countries.

The pilot surveys will be concluded by mid-2012. The data that is collected through this process will be used to explore the nuanced relationships between behavior, skills, knowledge, attitudes and environment in the area of financial capability. Ultimately, the process will serve to develop simple means of synthesizing this information into a measure of individual financial capability comprised of these different components. The final output of the program will be a set of diagnostic tools for policy makers to identify areas of financial capability and segments of their populations requiring particular financial capability interventions.

Several countries are participating in the program to help develop and test the survey instrument through qualitative research and national surveys: Armenia, Colombia, Lebanon, Malawi, Mexico, Namibia, Papua New Guinea, Tanzania, Turkey, Uruguay, Zambia.
Project Objectives

The project is aimed at establishing a nationally representative baseline of financial capability in Armenia using the conceptual framework and the methodology developed by the Trust Fund. The project will provide the Government of Armenia with the information required to design financial education programs that will address the most important needs of different segments of the population. Such a baseline will also be important for allowing the government to be able to assess the effectiveness of certain financial education programs later on and decide which initiatives should be continued and perhaps scaled up and which should be modified or discontinued.

Survey Implementation

The survey has been carried out as a standalone project and adhered to the Trust Fund guidelines. Correspondingly, the survey and the analysis focuses on financial capability as a broad concept, and uses the survey questionnaire developed by the Trust Fund. The questionnaire has been translated and adapted into the Armenian language and context. Complementary questions from the survey developed by the World Bank’s Global Program on Consumer Protection and Financial Literacy have been added, following the Trust Fund guidelines. The questionnaire (in Armenian) was piloted among 124 households living in urban and rural areas. Based on the results of the pilot tests conducted in Armenia and other countries, the Trust Fund made final improvements to the questionnaire. The revised write-up and questionnaire (in English) were reviewed and approved by the Trust Fund before the surveyors went to the field. The survey fieldwork was implemented by AM Partners in the capital (Yerevan) and ten regions of Armenia, from 10 April to 21 May 2012, using the survey methodology prescribed by the Trust Fund.

The sample was nationally representative of the adult (18 years and older) population living in households. Overall, 2,000 valid interviews were completed during fieldwork from a total of 4,647 contacted households. A multi-stage stratified sampling method was used (stratification by urban and rural areas, by regions or Marzes). The unit of analysis was the individual (randomly chosen, using a Kish table). Overall, the team closely adhered to the instructions provided by the Trust Fund team to ensure cross-country comparability of the results and the achievement of a common framework that is suitable to be adopted in the widest possible range of countries.
Main Outputs and Dissemination

The project will produce the following outputs as deliverables:

- Inception report on proposed methodology for survey implementation;
- Pilot test report including overall and module length (time), comments from interviewers and supervisors, problems encountered in different phases of pilot, and solutions proposed/recommended changes to the questionnaire;
- Revised write-up and survey questionnaire, both in English and Armenian;
- Cleaned datasets containing the entire data gathered through the interviews, including all codes in SPSS format and all corresponding documentation to the Trust Fund;
- Technical/statistical report including description of methodology, presentation of data structure and coding, discussion of any issues or concerns encountered in the data collection process, and basic descriptive statistical analysis of the data (in Armenian and English).

The survey results will be presented at a dissemination event in Armenia, which will be held for all relevant stakeholders in government, financial, private and non-profit sectors. The full dataset and reports will be published on the website of the Global Program on Consumer Protection and Financial Literacy http://www.worldbank.org/consumerprotection.

Policy Impact

The Central Bank of Armenia (CBA) has dedicated substantial resources to consumer protection and financial education programs. However, to date there has been no nationally representative baseline of financial capability levels of the Armenian population. Therefore, this project aims to provide CBA with detailed and segmented information on the levels of financial capability of Armenians, help CBA identify and define targeted programs of consumer awareness and financial education, and provide CBA with a baseline that will later allow measurement of overall outcomes of implementation of financial education and consumer protection measures.

Further, the findings of the survey will provide demand-side inputs to the FIRST-funded Financial Consumer Protection project in Armenia. These inputs will complement the findings of the diagnostic review of the Armenian legal and institutional framework for financial consumer protection, conducted in early 2012 by the World Bank’s Global Program on Consumer Protection and Financial Literacy. The survey and the diagnostic would then provide key inputs to the preparation of an Action Plan and the actual implementation of measures to improve consumer protection and financial capability in Armenia.
Financial Capability Measurement

Project Objectives

This project was undertaken by the Banco de la República and the World Bank with the objectives of: (i) understanding where the most important gaps in knowledge exist in the Colombian population, and for whom, with the goal of designing and targeting improved financial education programs; (ii) benchmarking the level of financial capabilities of Colombians; (iii) supporting the design of public policies to enhance both the familiarity with and quality of financial services.

Focus Groups

A total of 10 focus group sessions were conducted, representing a mix of participants across: (i) low and middle income groups (ii) different age groups and (iii) urban and rural populations (around Bogota, Bucaramanga, Cartagena, Neiva, and Pereira). Each focus group lasted approximately two hours, which was the length of time for the average of eight focus group participants to complete their discussion of topics in the interview guide.

In-Depth Interviews

Individual interviews were conducted in two waves of 15 participants each to probe elements of their financial practices in greater detail and test question structure and wording. The participants in the first wave of these interviews had taken part in focus groups, while the participants in the second wave of interviews were new to the topics addressed in the questionnaire.

Survey Implementation

These newly-developed questions on financial capabilities are being applied in a nationally representative survey of approximately 1500 individuals. This survey, which will cover key areas such as daily money management, financial planning, and knowledge of basic financial concepts will build on a survey on financial burden, capability, and education (IEFIC for its initials in Spanish) that was developed by Banco de la República and DANE in 2008 and initially applied only to the banked population in Bogota.
Main Outputs and Dissemination

The main outputs of the project will include synthesis of focus groups and in-depth interviews, a report on Stage 1 findings (conclusion of qualitative research), a quantitative baseline dataset on financial capabilities in Colombia, and a presentation of key findings from the quantitative data.

Policy Impact

The results of the study will feed directly into the Colombian national strategy and policy for financial education, in which Banco de la Republica plays a key coordinating role. Greater knowledge of the financial practices of the population will support better targeting of financial education initiatives to distinct segments of the population. Ultimately, improved knowledge of financial issues in different segments of the population should permit Colombian citizens to achieve higher levels of individual and family welfare.
Project Name
Measuring Financial Capability and Literacy in Lebanon

Partner Institution(s)
Basil Fuleihan Institute of Finance (IOF); Consultation and Research Institute

Timeline
July 2011 – August 2012

Financial Capability Measurement

Project Objectives
The project aims to implement the first national survey that will measure financial literacy and capabilities in Lebanon. It will inform the government’s policy in various areas including but not limited to the design and development of a national strategy for promoting economic and financial education of all Lebanese citizens as well as reforms in the social insurance system. The results of the survey will be used to create awareness of the existing level of financial literacy in Lebanon and a baseline dataset to be used for further policy-oriented research including the evaluation of interventions that seek to improve financial literacy.

Survey Implementation
The topics covered in the survey will include: day to day money management, planning for the future, key motivations behind financial behavior, understanding basic concepts of public finance, and the level of financial literacy. For the first four components, the team will rely on a robust questionnaire developed by the technical team of the Russia Trust Fund. In addition, public finance and financial literacy have been identified as important topics to consider in the case of Lebanon and thus specific questions have been added to the questionnaire without affecting the way the core questions are administered.

The survey will be implemented through household visits with a sample size of 1,200 individuals. The sample will be representative of the national adult (18+) population, probability sampling will be used and replacement of households and individuals will be documented. The 2004 and 2007 Household Survey issued by the Central Administration of Statistics (CAS) of Lebanon will be used as a reference document for the distribution of the questionnaire across all governorates.

A pre-test of the questionnaire on 10–15 individuals will take place to ensure that the questions are well understood and solicit the desired information. A pilot test including 100 individuals will take place to pilot the questionnaire and methodology. The pilot will include households/individuals from different regions, age groups and characteristics. Based on the results, the formulation of the questions and/or content may be further adapted.

In order to ensure a high fieldwork quality, the quality of the survey is expected to be consistently tested through a random sample drawn from the returned completed surveys. The control process will consist of ensuring that all responses obtained have been entered in a
correct manner and that the surveyor has compiled fully with the Trust Fund’s instructions. In order to be analyzed, the dataset will include sampling weights, incorporating the sample design weights, compensating for factors such as unequal probabilities of selection, non-response and to ensure the weighted sample matches a known population distribution.

Main Outputs and Dissemination

The outputs of the project are the following:

- completed and clean dataset of survey results; basic statistical description of survey results;
- detailed methodology report.

Moreover, the World Bank team will complete a final report summarizing the results of the project, in terms of survey process and basic summary of results.

The results of the survey will be communicated to Government officials involved in the various policy areas through continues policy dialogue and World Bank analytical and operational work. The survey data will also be published in raw form. The Institute of Finance will produce a user-friendly citizen awareness guide distributed freely at a national level, in an effort to increase awareness on the matter. Moreover, the Institute of Finance plans to set up focus groups/in-depth interviews with key stakeholders to discuss and validate the main findings from the data and the relevant implications.

Policy Impact

Financial Education and Awareness

Lebanon is considered amongst the first countries in the MENA region realizing the importance of financial literacy and education and the necessity of educating its citizens in economic and financial matters. In fact, the Lebanese Government has included related theories and concepts into its public school curriculum; however, it has been noticeable that Lebanese youth faces difficulties in understanding the main theories and dealing with the practical implications of public and/or private money management. As a result, this survey will make it possible to assess the level of economic and financial capabilities on a national scale, in order to design and develop a national strategy, aimed at increasing the level of awareness and education of all Lebanese Citizens which is expected to further improve the behavior of individuals.

Beyond Financial Education: Social Protection

Financial literacy and education emerges as an important topic relevant to several priority policy areas for the Government of Lebanon, which also the World Bank is engaged in. One of such areas is a long engagement in intensive policy dialogue and technical assistance with the Government on social security reform. Currently, Lebanon has only an end of service indemnity scheme and no pension system. A draft law to introduce a pension scheme is expected to be passed in the future. Furthermore, a voluntary health insurance scheme was recently discontinued, and the Bank is providing advice on reforming this scheme. The approach of this work and the interventions under discussion rely, to a large extent, on behavioral response to stimulus, and the impact is maximized when workers’ actions are based on a higher level of financial capability.
Project Name: Financial Capability Project
Partner Institution(s): FinMark Trust
Timeline: September 2010 – March 2012

Financial Capability Measurement

Project Objectives
This joint project for Malawi, Namibia and Zambia aimed to develop a set of financial capability indicators that are internationally comparable and that take account of the needs of low-income people in developing countries. These indicators will result in better national policy formulation for financial literacy programs, which are critical for increasing levels of access to finance in Malawi, Namibia and Zambia.

The purpose of the focus groups and in-depth interviews was to test and establish participant views on the dimensions of financial capability in order to develop a definition of financial capability that is appropriate for low-income countries. The purpose of the in-depth interviews was to obtain a better understanding of how to measure the dimensions of financial capability, in order to assist with developing questions for a national survey.

Focus Groups
Eight focus group discussions (FGDs) were held in Malawi: three (3) in Blantyre, (2) in Lilongwe and (3) in Mzuzu. A total of 69 persons participated in the FGDs. The FGDs were split according to income, gender and income.

The emphasis was on day-to-day money management and on saving. Planning for the future was considered important and involved investing in children’s education, investing in agriculture, rental housing or another type of business. Having a house to live in and land to farm was seen as long-term goals and retirement planning. There was not much emphasis on choosing and using financial products. Managing money in the context of a relationship was mentioned a number of times. Communicating and creating consensus within a household about money and priorities appears to be an important skill.

The Russia Trust Fund for Financial Literacy and Education was established in October 2008 to support the advancement of financial literacy and capability, through the development of methods and best practices for the assessment of financial capability and for the evaluation of financial education programs. The Trust Fund is managed by the World Bank implemented in part by the Organization for Economic Co-operation and Development.
**In-depth Interviews**

Interview respondents were be selected on the basis of criteria set by the Trust Fund. An interview guide was provided by FinMark Trust/World Bank. In Malawi, 20 and 15 in-depth interviews were conducted in the first and second round respectively. After the interviews were completed, a debriefing was organized with the Trust Fund team. The results and feedback from in-depth interviews informed the development of core questionnaire modules to be used for surveys that will be implemented in the second stage of the project.

**Main Outputs and Dissemination**

The project produced the following outputs as deliverables:

- Transcripts and feedback from focus groups and in-depth interviews;
- Detailed report on the results from the focus groups;
- Detailed report on the results of the in-depth interviews.

Results will be disseminated by the Trust Fund in regional events and online through the Trust Fund website. Further dissemination plans will be defined in cooperation with FinMark Trust.

**Policy Impact**

Survey findings will assist policy makers to understand the current levels of financial literacy and to put appropriate policies in place to provide protection and recourse for consumers of financial products and services. Repeated surveys will enable policy makers to track financial literacy levels of consumers across the region to see improvement of policy changes/initiatives implemented. Financial education will encourage appropriate use of financial products and services and provide opportunities for poor men and women to make use of financial products and services and bring economic recovery in the region.

The findings, interpretations, and conclusions expressed here do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank and does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries. For more information please visit www.finlitedu.org.
Project Name
Mexico Financial Capability Assessment

Partner Institution(s)
National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF);
National Bank and Securities Commissioner (CNBV);
IPSSOS Mexico

Timeline
July 2010 – September 2012

Financial Capability Measurement

Project Objectives
The CNBV and CONDUSEF applied to participate in this project with the World Bank with the objectives of: (i) establishing where the most important gaps in knowledge exist in the population, and for whom, with the goal of designing and targeting better financial education programs, (ii) benchmarking the financial capabilities of the Mexican population relative to other countries and (iii) supporting the design of public policies to enhance both the knowledge about and quality of financial services internationally.

Focus Groups
A total of 13 focus group sessions were conducted that included a mix of participants in: (i) low and middle income groups (ii) formal/informal labor market participants and (iii) urban and rural areas near Guadalajara, Hunucmá (Yucatan), Mexico City, Monterrey, and Oaxaca.

In-Depth Interviews
Individual interviews were conducted in two waves of 24 participants each to probe elements of their financial practices in greater detail and test question structure and wordings. The first wave of these interviewees had taken part in focus groups, while the second wave of interviewees were new to the topics addressed in the questionnaire.

Survey Implementation
Approximately 2000 individuals will be interviewed in a nationally representative survey. This survey will cover key areas such as daily money management, financial planning, and knowledge of basic financial concepts and is projected to be repeated three years after the initial baseline is conducted.

The Russia Trust Fund for Financial Literacy and Education was established in October 2008 to support the advancement of financial literacy and capability, through the development of methods and best practices for the assessment of financial capability and for the evaluation of financial education programs. The Trust Fund is managed by the World Bank implemented in part by the Organization for Economic Co-operation and Development.
Main Outputs and Dissemination

The project will produce several outputs, including:

- Transcripts and synthesis of focus groups and in-depth interviews;
- Report on Stage 1 findings (conclusion of qualitative research);
- Quantitative baseline dataset on financial capabilities in Mexico;
- Analysis of key findings from quantitative data.

Policy Impact

The survey is being designed to support new and existing regulations, more refined targeting of policies, product innovation and potentially, to provide a baseline for future impact evaluations related to consumer protection, financial inclusion and financial education. Demographic data collected as part of this survey will facilitate more interesting analysis of financial capabilities including interactions with other variables. Ultimately, improved knowledge of financial issues in different segments of the population should permit consumers to achieve higher levels of individual and family welfare.
**Project Name**
Financial Capability Project

**Partner Institution(s)**
FinMark Trust

**Timeline**
September 2010 – March 2012

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**Financial Capability Measurement**

**Project Objectives**

This joint project for Malawi, Namibia and Zambia aimed to develop a set of financial capability indicators that are internationally comparable and that take account of the needs of low-income people in developing countries. These indicators will result in better national policy formulation for financial literacy programs, which are critical for increasing levels of access to finance in Malawi, Namibia and Zambia.

The purpose of the focus groups and in-depth interviews was to test and establish participant views on the dimensions of financial capability in order to develop a definition of financial capability that is appropriate for low-income countries. The purpose of the in-depth interviews was to obtain a better understanding of how to measure the dimensions of financial capability, in order to assist with developing questions for a national survey.

**Focus Groups**

Eight FGDs were conducted in Namibia in locations spread throughout the country, one (1) in Windhoek, one (1) in Gibeon, two (2) in Oshakati, one (1) in Ondangwa, one (1) in Eenhana, one (1) in Walvisbay and one (1) in Swakopmund. A total of 63 persons participated in the FGDs.

In Namibia, as there is a greater level of formal financial product penetration, the market appears quite different from Malawi and Zambia and issues such as choosing products and the information required to make informed choices are more relevant in the Namibian context. There was a heavy emphasis on day-to-day money management issues, with alcohol, impulse shopping and credit being areas of concern that affect money management.

**In-depth Interviews**

Interview respondents were selected from the focus group participants on the basis of criteria set by the Trust Fund. In Namibia, the interview guide was not translated and the English version was used, although the interviewers did translate for the respondents, where English provided a problem. The researchers struggled to find some of the respondents. This may be as a result of their initial selection, but people also appear to be very mobile in Namibia. Respondents were selected by FinMark on the same basis as for Zambia to provide for a spread across gender, income and the level of capability.
A total of 14 and 15 interviews were conducted in the first and second round respectively. After each set of interviews, a debriefing was held with the Trust Fund team and results and feedback informed the development of core questionnaire modules to be used for surveys that will be implemented in the second stage of the project.

Main Outputs and Dissemination

The project produced the following outputs as deliverables:

- Transcripts from focus groups and in-depth interviews;
- Detailed report on the results from the focus groups;
- Detailed report on the results of the in-depth interviews.

Results will be disseminated by the Trust Fund in regional events and online through the Trust Fund website. Further dissemination plans will be defined in cooperation with FinMark Trust.

Policy Impact

Survey findings will assist policy makers to understand the current levels of financial literacy and to put appropriate policies in place to provide protection and recourse for consumers of financial products and services. Repeated surveys will enable policy makers to track financial literacy levels of consumers across the region to see improvement of policy changes/initiatives implemented. Financial education will encourage appropriate use of financial products and services and provide opportunities for poor men and women to make use of financial products and services and bring economic recovery in the region.
Financial Capability Measurement

Project Objectives

The objective of the project is to assist PNG Central Bank (BPNG) and related government agencies to develop an understanding of financial capability in Papua New Guinea (PNG). This national survey is particularly relevant to financial sector policy development, especially in the case of micro and SME finance, as it will result in a baseline database with information on behaviors in the use of money, decision making around money, financial planning habits, and access to different types of formal and informal financial services.

Undertaking a comprehensive study of financial capability in PNG increases the ability of the national government and of international organizations to support local communities as they monetize. It also enables the further development of methodologies to identify and measure financial competencies. The primary goal of the survey and related efforts is to provide useful information on financial capacity of PNG population so as to facilitate the government to develop appropriate policy, regulation and program in promoting greater financial inclusion in PNG.

Focus Groups

A total of 8 focus group sessions (4 female and 4 male) were conducted for the three sample Communities: Talai Settlement, in Port Moresby, the nation’s capital (2 male and 2 female); Cloudy Bay Community where the PNG Sustainable Development Program, Ltd. operates (PNGSDP) (1 male and 1 female); and, The Rubber Plantation whose employees come from all over PNG, but predominantly from the Highlands provinces (1 male and 1 female).

The interviews were conducted in two local languages: Tok Pisin and Hiri Motu. Each interview started with explanation of the objectives and the procedures. Consent for interviews was sought from all respondents of the focus groups, including permission to record the interviews. The respondents were informed that they had the right to tell the moderator and facilitators if there was anything they did not want recorded at any time during the interviews. In addition, permission was sought from the respondents to allow information disclosed to be used for the purpose of the project.

The interviews were conducted in either community halls or conference rooms at interviewees premise or the interviewees were provided transportation to the meeting venue outside their residence. A second
run of the Talai Settlement group was found necessary to get the relevant information. About 4 hours were used to go through the questions on the focus group interview guide. Two professional transcribers were hired to transcribe verbatim the focus group sessions.

**In-Depth Interviews**

The first round of in-depth interviews were conducted in the Talai Settlement and Galley Reach Estate communities among respondents who previously participated in the focus group sessions. A total of 16 in-depth interviews were completed: 7 female and 9 male respondents; 4 from Galley Reach Holdings and 12 from Talai Settlement.

**Survey Implementation**

The national survey plans to use the same sampling as the PNG HIES (some output of tables yet to be completed) with some re-weighting of census districts due to migration in the inter-census period. The survey will contain additional PNG-specific questions to the set of core questions developed by the multi-country study so as to focus more on financial capacity of households in PNG.

Due to the complexity of local logistics and the upcoming election in June 2012, the national survey is postponed and will be conducted after the election. A team of 15 local facilitators/interviewers (both male and female) has been trained to carry out the pilot interviews in Port Moresby areas. Questionnaires have been translated into local languages (Tok Pisin and Motu) and the Pisin version has been tested. Pilot testing of questionnaire has been completed and data will be collected and analyzed to validate the instrument and constitute a first step towards understanding the challenges for financial education in PNG.

**Main Outputs and Dissemination**

The key output of the PNG survey as of June 2012 will be the PNG instrument validation and the analysis report on the pilot conducted among randomly selected communities in Port Moresby areas. Data analysis of the pilot in Port Moresby will reveal specific areas of competencies requiring strengthening among the sampled households, which are representative of major urban and peri-urban population in PNG.

BPNG plans to carry out the national survey once the HIES data is made available for national sampling and after the election. BPNG expects that that national survey will provide the needed information to facilitate the design of targeted and cost-effective interventions. This valuable dataset will also enable the measurement of progress in programs aimed at improving financial competency. Over the long term, improvements in the levels of financial literacy and competency of the PNG population are expected to have a positive impact on the level of financial inclusion in the country.

The survey data will be made available through BPNG to the public and the key findings from the PNG survey will also be shared with relevant stakeholders in PNG through the task group on financial literacy chaired by BPNG (detailed below) through a workshop and a World Bank/BPNG joint publication.

**Policy Impact**

There is emerging recognition of the need for government programs to tackle the widespread and weak levels of financial capability among the low-income population of PNG. The results of the survey will feed directly into the formulation of a national policy and strategy for financial inclusion and education to be led by the Bank of Papua New Guinea (BPNG). It is anticipated that the work will be coordinated and undertaken by a national task group to be convened and chaired by BPNG. This group will be comprised of key stakeholders including government agencies (finance, national planning, education, provincial government, national statistics office), the bankers association, microfinance associations and the Institute of National Affairs. The World Bank and PFIP teams will function as technical assistance advisors to this task group.
**Project Name**
Tanzania Financial Capability Baseline

**Partner Institution(s)**
Financial Sector Deepening Trust, Tanzania (FSDT); Bank of Tanzania, Marketworx Africa; National Bureau of Statistics

**Timeline**
October 2010 – September 2012

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**Financial Capability Measurement**

**Project Objectives**

In 2009–10, a National Financial Literacy Framework was developed for Tanzania. The development of the framework was an initiative the Bank of Tanzania, supported by the Financial Sector Deepening Trust (FSDT). The framework was recently approved by the Government of Tanzania and it identified the need for defining the dimensions of financial capability in the country. It also identified the need for a baseline survey, to enable policymakers and practitioners to confirm priority population segments for planned financial education initiatives and tracking financial capability progress over time within these segments and on a national level.

**Focus Groups**

Eight focus groups were conducted in Dec 2010–Jan 2011 in three different regions (including Zanzibar). The groups were segmented in terms of gender, income (low, middle and high) and age. Each group consisted of approximately eight participants. The focus group discussion guide was modified for the local context and translated to Swahili. The moderator was Swahili speaking and assisted by a note taker. The group discussions were taped, transcribed, translated and the findings of each summarized in a table.

**In-Depth Interviews**

Seventeen in-depth interviews (IDIs) were conducted in March 2011. The purpose of the IDIs was to test and refine the first draft questionnaire. Respondents were selected from each of the focus groups conducted in December/January and reflected those which were perceived to be most and least financially capable based on the group discussions. The draft questionnaire was localized and translated to Swahili. The interviewers were Swahili speaking and assisted by a note taker. The interviews were taped, transcribed (with direct translation) and the findings summarized on a data. Findings and recommendations on the questionnaire were also captured onto a log frame.

A further six IDIs were conducted in August of 2011 to further refine the questionnaire. The same methodology was followed as with the first set of IDIs, but this time respondents were included which were not part of the focus group process.

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Survey Implementation

A nationally representative sample (including Zanzibar) will be undertaken through stratified random sampling with approximately 3200 adults. The questionnaire will first be translated, piloted, adjusted, and back translated before finalization and full roll-out. The National Bureau of Statistics will assist with the design and drawing of the sample, as well as fieldwork oversight, whereas Synovate will conduct the actual fieldwork. Data will be captured, cleaned and weighted before data modeling, segmentation and analyses.

Main Outputs and Dissemination

The main outputs from the focus groups (FG) include:

- Translated transcripts of each FG;
- Summary analyses of each FG discussion;
- Summary report of all FGs;
- Presentation to the Trust Fund.

The main outputs from the in-depth interviews include:

- Translated transcripts of each IDI;
- Summary data sheet for all IDIs;
- Summary log frame with comments and suggestions on draft questionnaire;
- After second round IDIs: draft questionnaire for testing in pilot survey.

Finally, upon completion of the survey fieldwork, the project will produce:

- Final questionnaire;
- Data set;
- Final analytical report.

A dissemination strategy for the survey will be developed and implemented within Tanzania. When results are available, the project team plans to hold a workshop with key stakeholders to launch the findings of the survey. The media will be invited as a matter of course. Smaller workshops will then also be held with interested parties such as the financial sector, educational sector, media, etc. The survey will be posted on the FSDT website for public access.

Policy Impact

The findings of the survey will support other financial education and consumer protection initiatives launched by the Government of Tanzania. This is part of a broader set of goals to facilitate improved access to financial services and strengthen consumer protection. The results will assist policymakers and practitioners in identifying priority market segments and the types of issues to be addressed through financial education and consumer recourse interventions. Finally, the survey will allow interested stakeholders to track changes in consumer financial behavior and capability over time and thereby refine and improve future interventions.

The findings, interpretations, and conclusions expressed here do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank and does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries. For more information please visit www.finlitedu.org.
Financial Capability Measurement

Project Objectives

A nationwide survey of financial capability in Turkey is expected to inform the government's current efforts to introduce a national strategy for financial education. The recent Turkey Country Economic Memorandum on Domestic Savings identified this as a key policy area in the country. The Financial Capability Survey is expected to meet two main objectives: (1) identify policy gaps and inform policy options to mobilize domestic saving in Turkey (i.e. including financial education in school curriculums) and (2) establish the basis for regularly monitoring the level of financial literacy of households. The results of the survey will be shared widely to increase public awareness on the subject.

Survey Implementation

The sample size is 3000. Respondents will be selected randomly from the population at or above 18 years of age and it will exclude the population in institutions, in line with guidelines provided by the Turkish Statistics Agency (Turkstat). The survey will be nationally representative and will cover all 12 NUTS-defined regions of Turkey (NUTS Level 1 Statistical Regions). Except for Istanbul (that constitutes a region by itself), provinces from each region will be determined by the random selection of primary sampling units (i.e. districts).

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Main Outputs and Dissemination

The main outputs are the micro-level data collected through the survey and a report containing the summary statistics of the survey. A joint dissemination event will be planned with the main counterpart agencies following completion of the survey.

Policy Impact

Financial literacy and education is on the agenda of the Turkish government. In March 2011, the Central Bank of Turkey and the Capital Markets Board organized an international conference on financial education with the main goal of raising awareness and laying the ground for the preparation of a national strategy for financial education. This is the first such comprehensive attempt at improving the level of financial literacy of Turkish citizens.

The World Bank and Turkey’s Ministry of Development (with inputs from the Central Bank, Treasury and Capital Markets Board) have recently completed a Country Economic Memorandum (CEM) on the role of domestic saving in Turkey’s economic growth. The CEM identifies the low level of financial literacy as a key constraint for mobilizing domestic saving.

A nationwide survey of financial capability will be a critical tool to inform the government’s formulation of a national financial education strategy and this is identified in the Turkey CEM as a key policy area.
Financial Capability Measurement

Project Objectives

Despite being one of the smallest countries in Latin America with approximately 3,300,000 inhabitants, Uruguay has a history of being a pioneer in technological and social innovation in the region. In keeping with this tradition of developing creative solutions to meet various social and economic challenges, Uruguay is taking a similar approach to the problem of financial illiteracy. The Country sought to benefit from the expert guidance of the Russia Trust Fund financial capability experts. In order to make use of the latest learning in this area, the Central Bank of Uruguay made a commitment to engage in this groundbreaking international study. The Financial Capability Assessment in Uruguay aims to establish a baseline measure of financial capability for the Uruguayan population. It also endeavors to understand, conceptually, what constitutes financial capability in the Uruguayan context, especially for low-income, financially excluded populations. The data provided by the assessment will inform the agenda for effective financial capability and economic education programming development by the Central Bank for all sectors of the population.

Focus Groups

During November and December 2010, nine focus groups were undertaken both in Montevideo and in the interior of the country in the city of Tacuarembó. Based upon the Trust Fund approach of intensive, qualitative study of financial capability in low-income groups during the focus group stage, six groups consisted of low-income participants and three were drawn from middle or upper-middle income participants. The low-income participants were selected from those living below the poverty line based on a socio-economic measure and at least half with basic needs unsatisfied as defined by the Basic Needs Index. Participants included 22 men and 44 women between the ages of 15 and 80. The group discussions provided the conceptual inputs for the development and adaptation of the national survey instrument. The groups were conducted over approximately 2 hours each and according to a facilitators guide developed in conjunction with the Trust Fund experts. Among other questions, the groups explored: how a financially capable and incapable person is defined; how participants understand the components of financial capability; what terminology is used to discuss these concepts; what perspectives exist on the subjects and how they are grouped naturally by the participants.
In-Depth Interviews

A first round of 15 in-depth interviews were conducted between February and March based on the initial dialogues initiated in the focus groups and looked to deepen this conversation with participants and test comprehension of the questions to be used in the national survey. The interviews were conducted in Montevideo and Tacuarembó with five men and ten women between the ages of 15 and 70. Another set of 15 interviews were conducted to test the modified version of the survey questionnaire.

Survey Implementation

Following a pilot undertaken in December 2011 to refine the survey instrument and field strategy, the national survey was conducted in May and early June 2012. It was a face-to-face household survey on the total population of Uruguay, rural and urban, over 18 years of age. To be eligible, subjects had to be at least in charge of their own personal finances. The survey was based on a 1400 respondent sample. A survey team with experience in complex surveys carried out the interviews. Interviewers underwent rigorous training and the field work was closely supervised. The maximum margin of error calculated for this sample size is +/- 2.6%, with a 95% confidence interval. The results are presently being analyzed by the Country team and the international expert group.

Main Outputs and Dissemination

A final report is presently being produced profiling the lessons from the Uruguay survey and background research. In terms of dissemination of the survey methodology and findings, the project will look to share the results nationally, regionally and internationally. Nationally, the results will be shared in relevant government and educational realms, as well as with specialized audiences. Presently the Central Bank and the World Bank are working together to develop a communications dissemination strategy for the results.

Policy Impact

The Central Bank of Uruguay (BCU) has developed and instituted a permanent program in Economic and Financial Education: BCU Educa which looks to improve the everyday money management skills of Uruguayan citizens. The Trust Fund supported Financial Capability Assessment will provide useful inputs for developing and refining the BCU Educa program. It will offer a core diagnostic that will be used in the design of activities to be carried out in 2012 and beyond. In addition, the results of the Financial Capability Assessment will be shared with government bodies and other relevant groups supporting inter-institutional policy development aimed at increasing levels of financial inclusion in Uruguay.
Project Objectives

This joint project for Malawi, Namibia and Zambia aimed to develop a set of financial capability indicators that are internationally comparable and that take account of the needs of low-income people in developing countries. These indicators will result in better national policy formulation for financial literacy programs, which are critical for increasing levels of access to finance in Malawi, Namibia and Zambia.

The purpose of the focus groups and in-depth interviews was to test and establish participant views on the dimensions of financial capability in order to develop a definition of financial capability that is appropriate for low-income countries. The purpose of the in-depth interviews was to obtain a better understanding of how to measure the dimensions of financial capability, in order to assist with developing questions for a national survey.

Focus Groups

In Zambia, eight focus group discussions (FGDs) were held with a total of 72 FG participants. The FGDs took place in and around Lusaka in the central region of Zambia, and in and around Ndola, in the Copper belt region. These locations provided both urban and rural areas, and represent different types of economic activity in Zambia. As per the guidance from the World Bank expert group, the FGDs were split according to gender, income and rural/urban location. Two of the focus groups in each of the regions were held in urban areas, and two in rural or peri-urban areas around the urban centres. The primary emphasis was on day-to-day money management and on planning for the future. Budgeting and prioritization of expenditure, as well as financial discipline and self-control are closely associated with financial capability. There was only limited mention of the need to keep track of money. The importance of managing money as a family or a couple is mentioned repeatedly. In particular, the concern was that in cases where there is no joint planning and no joint vision for the family, it becomes impossible to make ends meet or even to plan for the future.
In-Depth Interviews

An interview guide was provided by the World Bank. In Zambia, the guide was translated into Bemba and Nyanja and the translations were independently back translated. The translations were reviewed after the initial back-translation to address all concerns. A total of 20 respondents were interviewed in each of two rounds. The respondents were selected on the basis of gender and income, but also on the basis of whether they were considered more or less financially capable, based on the information available from the pre-screening questionnaire. After each set of interviews, a debriefing was conducted. The results and feedback from in-depth interviews informed the development of core questionnaire modules to be used for surveys that will be implemented in the second stage of the project.

Main Outputs and Dissemination

The project produced the following outputs as deliverables:

- Transcripts from focus groups and in-depth interviews;
- Detailed report on the results from the focus groups;
- Detailed report on the results of the in-depth interviews.

Results will be disseminated by the Trust Fund in regional events and online through the Trust Fund website. Further dissemination plans will be defined in cooperation with FinMark Trust.

Policy Impact

The project will contribute to the development of survey tools to assist policy makers to understand the current levels of financial literacy and to put appropriate policies in place to provide protection and recourse for consumers of financial products and services. Financial education can encourage appropriate use of financial products and services and provide opportunities for poor men and women to make use of financial products and services and bring economic recovery in the region.
Monitoring and Evaluation
Monitoring and Evaluation

When resources are scarce and social safety nets are weak, households’ ability to manage income and assets wisely may be an important determinant of economic security. However, many open questions remain about how households in developing countries gain and exercise financial capability, and the best ways for governments and the private/nonprofit sector to help increase it. With the exception of a small but important number of studies that have recently been completed or are currently underway, robust evidence regarding the efficacy of financial capability interventions is relatively sparse compared to the level of interest and programmatic activity. One reason for this is a lack of systematic evaluation.

Although there is some evidence that financial education can enhance financial knowledge, there is limited empirical evidence that financial knowledge has an impact on behavior and outcomes, and on the ultimate goal of improving financial well-being, and little evidence exists of the impact of interventions intended to enhance financial capability. The objective of this element of the program under the Trust Fund is to develop and document methods for the impact evaluation of financial education and capability enhancement programs while contributing to the evidence base on the effectiveness of these types of programs. Through development and testing of methods and funding the evaluation of a wide range of projects in diverse settings, the Trust Fund aims to contribute to the knowledge base on the efficacy of financial education interventions, the impact of different ways of delivering these programs, and support capacity-building in client countries.
To achieve these objectives, the Trust Fund is undertaking two complementary initiatives:

- Development of an operational toolkit on methods for evaluating financial capability programs. The development of the toolkit has been contracted to RAND Corporation.

- A set of individual pilot projects to test interventions, and a smaller set of cross-country comparative projects. These projects are intended to develop methods for evaluation and analysis and to inform the preparation of the evaluation toolkit.

The knowledge derived from these efforts will be used to inform policy makers and others about the impact of financial capability on behavior related to financial-decision making, the types of programs that help enhance these levels of financial capability, and most importantly, improving the capacity of countries to develop effective financial education strategies over the longer term.
The Impact of Financial Literacy Training for Migrants at Destination

Purpose of Research
Remittance costs are high in the Pacific, which reduces the development potential of these flows. Remittance-specific financial literacy training is being used in Australia and New Zealand to determine whether this will serve to induce migrants to choose lower-cost methods.

Background and Objectives
The World Bank and the United Nations Global Forum on Migration have both made reducing the cost of remittances a core element of their global migration policy agendas. However, the efficacy of policies geared toward reducing the cost of remitting and spurring competition by increasing disclosure of costs relies heavily on the abilities of migrants to understand how to use the different methods available for remitting and the costs incurred for each method. While systematic evidence on the financial literacy of migrants is scarce, the data available suggest migrants often lack knowledge of the components of a remittance cost, available methods, or how to compare such methods. Thus there seems to be a natural and valuable opportunity in the Pacific for financial literacy training to change remitting behavior.

The main goal of the present research is, therefore, to estimate the causal impact of financial literacy training for migrants on their remitting behavior. In particular, the research will assess whether (a) financial literacy training leads migrants to adopt new, cheaper, products such as debit cards for sending remittances; (b) whether financial literacy training changes the amount and frequency of remitting, and therefore the amount received by migrants in the home country; and (c) how these effects differ by country of origin.

Additionally, many migrants do not use credit cards and rely on more expensive forms of credit such as pay-day loans and hire purchase agreements. A second component of the financial literacy training will be to provide information on the costs of these alternative forms of credit, and information on how to apply to get a credit card, with the goal of seeing whether this reduces the use of more expensive forms of credit.

The training is delivered in a two-hour interactive meeting (or “fono”) to groups of 20–30 migrants. It explores reasons people might opt to remit. These include factors such as cost, convenience, speed, trust, and security driving remittance channel choice. It also covers the new
remittance debit card available in New Zealand, the different components of a remittance fee.

**Evaluation Methodology**

New Zealand and Australia were chosen as the migrant destinations for a number of reasons: (a) the World Bank’s strong policy ties to the remittance cost issue in these countries; (b) the high immigrant population (over one-fifth of the total population) in these two countries, as well as the the common origins of immigrants to these two countries which allows comparisons across two settings with similar migrant groups; and (c) the large variation in remitting patterns found in the immigrants of these two countries, as well as the competitiveness of their remittance market. This variation is an important point as it presents a range of migrants from Pacific countries who remit frequently and face high costs of doing so, to migrants from countries like Hong Kong who remit less frequently and face relatively lower costs when they do.

Participants were recruited through community gatherings such as churches, and a short baseline survey was then conducted. The final sample consists of three groups of migrants: 349 Pacific Island migrants (mostly from Tonga and Samoa) interviewed in New Zealand; 352 East Asian migrants (from Korea, Hong Kong and China) interviewed in New Zealand; and 209 Sri Lankan migrants interviewed in Australia. In each group, migrants were matched into pairs on the basis of country of origin, city of residence, remitting patterns, and financial literacy, and then one individual in each pair was randomly selected to be invited to attend the training sessions.

Short-term follow-up surveys were then conducted at one, two, and three months after training to track short-term impacts of the training on knowledge and behavior; with a follow-up after nine months scheduled. Experimental impacts of the program will then be obtained through comparison of the treatment and control groups.

**Results**

- The training led to **large increases in specific financial knowledge** that was taught during the course – migrants were 12-16 percentage points more likely to know it is cheaper to send one large transfer than two smaller ones; and 10-52 percentage points more likely to know the cheapest method of remitting.

- Knowledge gains were highest for the Pacific Island sample, who had the lowest initial levels of financial literacy.

- **Migrants changed some financial behaviors in response to this new knowledge**: they were more likely to use different sources of information to compare the costs of remitting; and the training made them less likely to switch to new remittance methods that provide little benefit from switching.

- **However, the training had no effect on either the frequency of remitting or the amount remitted, or on take-up of the new cheapest products.**

- There are some modest changes in use of credit among the Pacific Island sample, who set up ROSCAs to avoid the high costs of payday loans.

**Policy Impact**

The training was fairly cheap to deliver, with the main costs averaging approximately $15-25 per attendee. The training did have some impacts on knowledge and behavior, but did not lead to financial benefits over the period we measured.

When asked participants why they were not using the cheapest product, convenience was often the reason given. One reason convenience may win out could be that the amounts saved through better financial literacy may be too trivial to warrant action – the annual saving from switching to the cheapest product may at most be $23-46. The scope for changes in outcomes may therefore be much larger if the focus is more on savings and budgeting behavior and getting migrants and their families to use the money they have more effectively, rather than just savings on transactions costs. Stay tuned for an impact note which looks at this type of training in Indonesia.

Meanwhile, governments trying to lower the cost of remittances appear to need to do more than just supply better information and improve financial literacy – targeting barriers to the entry of new providers and barriers to access of financial services on the receiving country side may also be needed.
Impact Evaluation of Brazil’s School-Based Financial Education Program

Purpose of Research
This impact evaluation uses a randomized control trial (RCT) to assess whether high school-based financial education in Brazil improves students’ and parents’ financial knowledge, attitudes and behavior. Access to financial services has expanded rapidly in Brazil and the high school-based financial education initiative aims to provide youth and their parents with tools that allow them to make sound financial decisions.

Background and Objectives
Improving the financial capability of the population so that citizens are able to make effective decisions around personal finances and money management is increasingly more prominent on the policy agenda of governments of many low and middle income countries. This is especially pertinent in Brazil, where the rapid evolution of the financial markets has resulted in many inexperienced and vulnerable consumers accessing different financial products and services, often with very negative consequences. A 2008 survey found that 82% of Brazilian consumers were unaware of the interest rate when borrowing money, that overdue installments were mostly caused by poor financial management, and that the saving rate of Brazilians is low, even among affluent families. The survey also showed that 87% of families do not save for the future, and that 40% do not make any sort of investments with excess income. In 2003, Brazilian Institute of Geography and Statistics found that family saving rates ranged from 0.06% of income in the low income class, to 3.12%, among the wealthy.

To empower the population to access financial services and make sound financial decisions, the Brazilian government assembled a working group in November 2007 for the development of a National Strategy for Financial Education. The working group was composed of representatives from the Committee for Regulation and Supervision of Financial Markets, Capital, Insurance, Pension Plans and Capitalization (COREMEC), in partnership with the Ministries of Education, Finance, Justice and Social Security, and representatives from several private sector institutions. As part of this strategy, the “Financial Education in Schools” program was created with the objective of reaching students in all public schools throughout the country. The program is coordinated by the Securities and Exchange Commission of Brazil (CVM) and developed in partnership with the Ministry of Education (MEC), state and municipal education bodies, and private sector institutions. A pilot project was introduced in 2010 with approximately 26 thousand
students in 900 public high schools, comprising treatment and control groups, in the states of Ceará, Minas Gerais, Rio de Janeiro, São Paulo, Tocantins, and Distrito Federal.

The program focuses on teaching financial literacy in high schools to educate students early in their life about financial decision-making. Although high school students are generally faced with fewer financial decisions than older adults, it is expected that they will be able to apply and practice some of the concepts taught in the courses, such as budget management, savings and responsible spending. For example, an increasing number of youth have the opportunity to use cell-phones, credit cards and make purchases in installments. Other concepts will become more relevant later in life, but the financial literacy education is also meant to provide students with a knowledge base that will allow them to make more informed financial decisions in the future.

To assess whether the desired outcomes and changes in behavior are achieved through such intervention, and before scaling-up the program throughout Brazil, the government engaged with the World Bank to evaluate the pilot intervention. This study, supported by the Russia Trust Fund for Financial Literacy and Education, will produce a rigorous impact evaluation and analysis of the program employing a randomized methodology to study the impact on students and the household financial decision making in Brazil, as well as identify the mechanisms through which financial literacy helps change behavior.

The financial literacy program for students focuses on introducing a high school curriculum of financial education integrated within several subjects. The student textbook, with accompanying teacher manual, consists of 72 case studies and exercises that can be introduced in any subject, mostly used in the Mathematics, Portuguese, Science, and History curricula. The material is interactive and includes exercises for students to be completed with participation of their household members (e.g. household budgeting and planning). The idea is that young people are the carriers of information and innovation in the household and would be the main vehicle for financial cultural change in the household, especially, inter-temporal decision-making on consumption and investment.

**Evaluation Methodology**

The impact of the program is evaluated through a randomized experiment at the school level. Some schools have been randomly selected to receive the financial education textbooks and teacher training explaining the purpose, content, and application of the material. Other schools will not receive the text books or teacher training during the pilot phase. The pilot will run throughout three school semesters, from August 2010 to December 2011. By comparing treatment schools to control schools, the methodology will allow for measuring impact along a causal chain of (i) how financial literacy affects knowledge, (ii) how that improved knowledge leads to better financial decisions, and finally (iii) how those better financial decisions improve household welfare.

The project is divided into two parts: (i) measuring the impact of financial literacy programs for high school students on their financial knowledge acquisition and changes in financial decision making and behavior of their households; and (ii) measuring the impact of a financial literacy program for parents of high school children. The behavior changes to be measured include changes in household financial attitudes and decisions, and subsequently changes in household’s consumption, income, health and education expenditures. Information on financial knowledge, attitudes, and behaviors will be collected through surveys at the student and household levels.

The Brazilian financial education project differs from other currently existing impact evaluation of financial education in that the financial education is administered through schools. It thus features a broad coverage of the target population and a comprehensive and longer-term coverage of the financial education material. This design will inform the rollout of the financial literacy program to more public schools in the country after the completion of the pilot study.

**Policy Impact**

This study is the first large-scale, rigorous, impact evaluation to measure whether a high school-based financial education program can successfully change financial knowledge, attitudes, and behavior among students and their parents. The results of this study will inform the roll-out of the program to other public schools in Brazil. They will also be useful for other governments in developing countries that are considering the possibility of introducing financial education programs in schools.
PROJECT SNAPSHOT

BRAZIL

Thematic Area
Risk management, savings and investment

Target Segment
Individual investors

Delivery Channel
Online stock market simulator

Evaluation Team
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Partners
BM&FBOVESPA Brazilian Stock Exchange

Timeline
January 2012 – December 2014

From Shop to Stock: Understanding and Improving Household Investment Behavior

Purpose of Research
Drawing from the current literature on behavioral finance, this study will work with the Brazilian stock market (BM&FBOVESPA) to test a range of interventions to better understand why people make the decisions they do and identify how to reduce common investor biases observed in the stock market through targeted financial education.

Background and Objectives
In the next 20 years an estimated two billion people will enter the formal financial system. Access to a broader range of financial instruments offers households an opportunity to diversify their assets but as financial access improves, it becomes increasingly important to understand the mechanisms that drive household investment choices. This is important both to improve consumer protection (ensuring that investors make fully informed decisions that do not expose them to unintended risk) and to fulfill a broader economic development objective of improving savings rates to drive investment and strengthen capital markets to ensure efficient distribution of capital.

Barriers to stock market participation include high transaction costs, lack of commitment products, and – importantly – low levels of financial education. A substantial amount of evidence also supports the view that investors select investments for reasons that cannot be explained by standard models based on full rational agents, and that they often exhibit biases that result in sub-optimal investment decisions. For example, even when aware of the benefits of diversifying their portfolios, investors might decide not to do so for a variety of behavioral reasons such as procrastination, information and menu costs, loss and ambiguity aversion. Common investment mistakes can be explained by a series of biases that affect investors: among others, investors commonly show a disposition effect (sell winners too quickly and hang on to losing stocks to avoid realizing losses), confuse good companies for good stocks, tend to be overconfident and hence overestimate the accuracy of their forecasts, and show a preference for stocks with lottery features.

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This evaluation has been designed to understand why:

1. Investors select investments for reasons that cannot be explained by standard models based on full rational agents; and
2. Inexperienced investors often exhibit biases that result in suboptimal investment decisions.

Understanding why people make the investment choices they do and what influence financial literacy can have in this decision process can help identify interventions that can both improve consumer protection and support the development of capital markets by improving efficiency through better investment decisions at the individual level.

BM&FBOVESPA has developed an online stock market simulator that will be used as an environment to test barriers to entry for stock market participation while the “home broker” software provided by stock brokers in Brazil (which closely resemble the online simulator, offering investors the opportunity to invest online) will be used to selectively provide interventions to stock market participants to reduce investor biases.

The simulator offers people the opportunity to practice trading stocks in an environment that replicates real-time stock data (with a short delay) and simulates the experience of participating on an online “home broker.” The simulator allows a wide range of investment products and offers investors the opportunity to build portfolios from current stock options. Participants receive a startup account with fictional Brazilian Reais in order to participate. The motivation for developing this simulator tool was to overcome informational barriers to participation by exposing potential investors to the activities related to investing in the stock market without exposing them to any real risk, and in so doing, educating potential investors through a learning-by-doing experience on how to participate in the stock market.

Graduating from the simulator, the “home broker” system links investors directly to the stock market where trades can be made in real time. Targeted messages with financial information and suggested financial products will be provided to investors exhibiting common trading biases.

### Evaluation Methodology

Administrative data from BM&FBOVESPA will be used to test how financial literacy, in relation to costs and administrative barriers influence (i) participation in new markets (treasury bonds and stocks) and (ii) investor biases in the market by running a series of randomized controlled trials aimed at disentangling hypothesized constraints identified in the literature. The online stock market simulator consisting of 120 000 potential investors will be used as a platform to measure barriers to entry by randomly (i) providing financial education (information constraint), (ii) varying entry and transaction costs (financial constraint) and (iii) offering start-up investment packages versus a menu of investment options (menu costs) to online participants interested in investing in the stock market. To measure investment biases, historic data on stock market dropouts will be analyzed to identify the most prevalent investor mistakes that cause investors to discontinue investing. This will inform the design of information interventions coupled with financial products aimed at mitigating biases exhibited by current stock market investors. Using real-time trade data of approximately 600 000 retail investors, we will then randomly provide financial education messages through the “home broker” system and suggest products that can reduce potential biases such as overconfidence, under-diversification and the disposition effect and measure how this influences investor performance. For example, to mitigate the risks associated with under-diversified portfolios, evidence on the risk-return ratios of various portfolios will be presented and advice on how to invest in an Exchange Traded Fund (ETF) to ensure automatic diversification.

### Policy Impact

The study offers a unique opportunity to study the individual and interaction effects of financial literacy campaigns together with multiple other interventions to better understand household investment behavior. While being applied in the Brazilian stock market, the lessons learned will help illuminate household financial decision making in general and offer suggestions on how to effectively use financial literacy campaigns to support consumer protection and promote a new generation of people accessing financial instruments in emerging markets.
Increasing the Impact of CCTs through Financial Literacy in the Dominican Republic

Purpose of Research
This research project will evaluate the impact of financial literacy training offered to beneficiaries of the Solidaridad conditional cash transfer (CCT) program in the Dominican Republic, in conjunction with the Social Cabinet of the Government of the Dominican Republic (GCPS).

Background and Objectives
Solidaridad is a CCT program in the Dominican Republic started in 2004 focused on promoting investments in human capital among low-income households in the Dominican Republic (DR). Beneficiaries receive monthly transfers to debit cards that can be used to purchase basic goods in qualifying stores (colmados). The program currently serves approximately 25% of the national population. Households defined as poor type I (extreme poverty) and poor type II (moderate poverty) are eligible to participate in Solidaridad. Poverty levels are assessed by a countrywide census that uses seventeen indicators, including living conditions, employment status, and education levels for household members.

Evaluations of CCT programs such as Oportunidades in Mexico and Familias en Accion in Colombia have shown that such programs are successful in increasing usage of healthcare and education services. However, even with improved health and education outcomes, it may remain difficult for CCT beneficiaries to manage their household finances, find stable employment, or start profitable businesses. All of these problems affect beneficiaries’ ability to graduate from the CCT program and achieve a sufficient level of economic stability on their own. Previous research conducted by the DR government has shown that Solidaridad beneficiaries tend to have low levels of financial literacy and little access to financial services.

In this context, Solidaridad is piloting a series of projects to increase financial literacy and access to credit and savings to improve the income generating opportunities of current beneficiaries. This financial literacy program targets the heads of households in Solidaridad with a moderate poverty level, of which 40% are employed at least part time and over 85% of which have at least primary school education (SIUBEN 2005).

IPA plans to evaluate the impact of a package of financial training services upon beneficiaries’ economic wellbeing. The package includes...
training in household and business financial management, job skills, and access to financial products. We expect the training program to have short-term effects on beneficiaries’ behavior, and long-term effects on their overall welfare.

In the short term, we expect the training program to impact beneficiaries’ knowledge of household financial management, job skills, and business management. This change in knowledge should also drive changes in behavior. We expect beneficiaries will improve in the management of household and business finances, increase budgeting and record keeping, reduce consumption of temptation purchase, and increase savings. We also expect the training program to increase beneficiaries’ use of financial services, such as savings and lending institutions. Additionally, we expect the job skills training to increase knowledge on how to look for employment, improve beneficiaries’ ability to find a job, demonstrate how to be a better employee and ultimately impact employment status. In the long term, we expect that improved household financial management, ability to successfully apply for paid employment, and capacity to manage their own businesses will lead to increased income levels for beneficiaries.

**Evaluation Methodology**

IPA will use a randomized controlled trial (RCT) design to evaluate the impact of the training programs. In an RCT, one group of beneficiaries is randomly selected to participate in the training (the “treatment” group), while another is randomly selected not to receive the training at the time of the evaluation (the “control” group). Randomly assigning beneficiaries to treatment or control allows us to ensure that any differences observed between the two groups after the training program is over can be directly attributed to the training.

**Treatment Assignment (See Figure 1)**

Solidaridad beneficiaries are assigned to a group (nucleo) of 45 to 60 members. The study will include 240 nucleos in the greater Santo Domingo area in the Dominican Republic with a total of 3,600 individuals. Nucleos will be selected from administrative data and randomly assigned to either the treatment or control group. The treatment group will include 120 nucleos and the control will have 120.

All members of the treatment group will receive financial literacy training intended to improve household financial management skills. Within this group, however, the treatment design is broken up into two layers of sub-treatments which will be assigned at the nucleo level (training methodology and training content) and two which will be assigned at the individual level (budget notebooks and credit/savings access).

**Individual Level Interventions**

Layer 1: Professional vs. peer trainers. Of the 120 nucleos in the treatment group, 60 will receive financial literacy training from professional trainers, and 60 from peer trainers. This will allow us to test whether being trained by peers is more or less effective than being trained by professional trainers.

Layer 2: Business training vs. job skills training. Half of the nucleos in both the professional and peer training groups will receive an additional training session on financial management for businesses. The other half of the nucleos in each group will receive additional training on job skills and the job search process. This allows us to test whether receiving microbusiness training leads to improved business outcomes and whether receiving soft job skills training decreases unemployment of beneficiaries – and to compare the economic outcomes of beneficiaries who received each type of training.

**Cluster Level Interventions**

Layer 3: Budgeting notebooks. Within each nucleo in the treatment group, a random subset of beneficiaries will be selected to receive notebooks that can be used to keep household or business budgets. Of the sample of 3,600 individuals across all nucleos, a subset to be determined will receive notebooks. This will allow us to test whether receiving a notebook to aid with the implementation of financial literacy training increases the impact of the training.

Layer 4: Credit access. Within each nucleo in the treatment and the control group, beneficiaries who own businesses or are interested in starting businesses will be evaluated to determine their suitability for receiving credit from microfinance banks. Of the suitable beneficiaries, a random subset will be selected to have their names passed on to banks, so that the banks might be able to offer them credit. The number of beneficiaries who may be eligible for credit will be determined after the baseline survey is complete. This will allow us to test whether increased access to credit for self-employed beneficiaries increases business outcomes. However, we are not certain there will be a large enough number of beneficiaries that are both interested and eligible for credit. Because of this, we will decide if we have a large enough sample after the baseline is completed.
Impact Evaluation of the FINO Financial Education Program

Purpose of Research
This study is aimed at measuring the impact of the FINO financial education program on the participants’ knowledge, attitudes and behavior related to personal financial management and overall financial well-being.

Background and Objectives
In partnership with the World Bank evaluation team, FINO, a doorstep banking firm, has developed and implemented a pilot financial education program to support the increased use of FINO’s smart card as a mechanism to encourage and facilitate saving. The financial education program focuses on teaching the knowledge and skills required to adopt good money management practices for budgeting, spending, and saving. Participants in the financial education program are expected to be equipped with the information and tools necessary to make better financial choices, work towards their financial goals, and enhance their economic well-being.

The pilot program, which targets low-income consumers working in the informal economy, seeks to promote saving, increase active use of the FINO card to access saving products, and strengthen general awareness of formal financial services and products. Over a period of time, gradual positive changes in financial knowledge, skills and behaviors are expected to lead to changes in the financial well-being of program beneficiaries.

One of the innovations of this financial education program is that it will examine how people interact with the technology that facilitates their access to bank services, in this case, the FINO smart card and the Point of Transaction (POT) of the Business Correspondents (BCs). Research shows that one of the barriers to the uptake and use of branchless banking in many developing countries is the low levels of familiarity and trust with the technology behind electronic cards and mobile phone banking among the poor. The FINO financial education program will therefore seek to add to individual’s financial literacy as well as address the gaps in the operational knowledge and skills in conducting smart card transactions, as well as strengthen trust.

A 5-day Master Training of Trainers (TOT) workshop and consultant trainers were trained initially on financial education. The Master
Trainers oversaw the entire training program while the consultant trainers delivered the training to the BCs for two days. This was intended to strengthen the BCs’ capacity to promote saving and to educate beneficiaries on the value proposition of the FINO card as a tool to help them to more effectively manage their money. Then, a two-day financial education workshop was held by the BCs for the beneficiaries.

**Evaluation Methodology**

This evaluation utilizes a randomized treatment and control identification strategy. For the purposes of this study, the treatment group is defined as those individuals living in villages where the training program will be implemented in the coming months, while the control group is villages which will receive training during a later phase of the program, after the last follow-up survey has been conducted. If the treatment and control are balanced at baseline, then differences at follow-up for key indicators can be attributed to the intervention(s), rather than to some pre-existing difference between the two groups. A lottery system was used to select which trained BCs provided financial literacy training in phase one and which will provide training in phase two.

As it is not feasible to interview all of the individuals in a village, a selection of 15 individuals in each village that have a smart card were randomly made in both the treatment and control villages. These individuals were then given a baseline survey of approximately 30 minutes each to understand their current knowledge of financial tools and their current financial behaviors. The baseline was completed and the follow-up survey will be conducted in early March 2012.

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**Policy Impact**

The impact evaluation of the FINO program is aimed at developing a more precise understanding of the financial literacy levels of the low-income populations of India and the extent to which that is a barrier and/or facilitator of their personal financial management in conjunction with door step banking, which is an extended component of the intervention to provide access to banking services to a population that otherwise would be unbanked. The results are expected to guide researchers and policy makers on whether providing education in conjunction with providing access to banking services, all developed in an environment that is familiar and comfortable for the participants, is an effective approach in improving savings and inducing sound financial management among the unbanked poor.
The Role of Financial Access, Knowledge and Service Delivery in Savings Behavior and Welfare

Purpose of Research
This evaluation will focus on three primary areas of interest. The first involves how the expansion of the doorstep banking program offered by EKO, a microfinance institution in India, will impact levels of financial inclusion for low-income families in Bihar. The second will explore the impact of financial literacy training on the financial management of these families. The third will evaluate different ways of delivering this training and look for the optimal method to deliver financial education.

Background and Objectives
An evaluation of a financial education and inclusion program will be conducted jointly with EKO India Financial Services, a microfinance institution in India. The objective of this research is to assess the extent to which the intervention can positively impact individuals’ knowledge skills and attitudes, related to financial management. Most importantly, the research considers whether it, in fact, leads to a behavioral change. It will also consider how various delivery mechanisms for financial education impact people’s learning. Finally, it aims to explore the link between financial capability enhancement and financial inclusion. This is all based on the expectation that more financially capable consumers should, in theory, be able to increase the number of interactions they have with formal financial services and products.

EKO is one of the few institutions in the state of Bihar to offer “doorstep” banking and financial services. Most of the villages in which EKO operates have little or no access to banks. The problem of access to banking is further exacerbated by the fact that the people with whom EKO works come from very low-income families and thus face numerous difficulties in opening savings accounts. To solve the access problem, EKO provides a savings program in these villages, which allows people to conduct financial transactions within their village and close to their homes, instead of having to travel long distances to access a bank. EKO’s delivery mechanism is unique in the sense that the firm’s agents, known as the Customer Service Providers (CSPs), carry out banking transactions on the premises of their primary occupation. Most of the CSPs facilitate the banking transactions of the clients along with their regular business. Thus, the revenues generated...
by the CSPs are basically supplementary income, rather than being primary income, which makes it a viable business option for them.

The financial literacy material to be used in the training of the treatment group focuses mainly on the importance and benefits of savings. The savings training module, designed by Freedom from Hunger has been adapted to suit the conditions of rural Bihar. The training includes ten sessions that run over 12 weeks (including a two week buffer period). The sessions will cover topics on savings ranging from “what are savings?” to “how to build an emergency fund”. Trainers will continue to visit and monitor participants a month after the training is completed.

**Evaluation Methodology**

The research methodology for this evaluation is a randomized control trial (RCT) with process evaluation. All participating villages in the evaluation will be those in the state of Bihar that have not yet been exposed to the EKO program. These villages will then be randomly assigned to either the treatment group (expansion program) or the control group. A baseline listing survey of all people in both treatment and control villages will be conducted to collect basic information on the participants from both villages, as well as ensure the sample is randomized and well balanced.

EKO will then roll out its “doorstep” banking program in a group of randomly selected villages. Financial literacy training will then be organized also in a random selection of villages. Within the respective villages, a set of households will be randomly selected to receive the financial literacy program with phone and in-person follow-ups. Another group will receive the same training, however it will be administered to multiple members of the same household, with a particular focus on members who are influential in household decision-making. One year after the baseline survey, an endline survey will be conducted on a random selection of people in the villages. The specific indicators to be measured are changes in financial literacy knowledge (i.e. knowledge about the value of savings); behaviors; and changes in welfare, as measured by consumption and productive assets.

Along with the extensive quantitative research as explained above there will also be a process evaluation component which will involve qualitative surveys aiming to disentangle the mechanism through which attitudes and behaviors are shaped by the financial literacy intervention. The qualitative research will involve face-to-face interviews and focus groups.

**Policy Impact**

From the financial inclusion aspect of this project, which promotes increased access to doorstep banking, researchers expect to see an increase in the number of financial transactions customers undertake. Meanwhile, the financial education training component will help shed light on the mechanisms through which intra-household financial decisions are made. Finally, researchers will explore the potential impact that intensive financial education training has on influencing financial behaviors and wellbeing of the participating individuals by comparing treatment with control groups.
Social Networks, Financial Literacy and Index Insurance in India and Kenya

Purpose of Research
This research project examines the role of financial literacy on farmers’ decision to purchase index-based weather insurance. It also studies the social network spillovers of financial literacy provision in Kenya and India.

Background and Objectives
In recent years, a range of initiatives have sought to develop insurance products to help rural households mitigate exposure to weather risk in many developing countries such as Ethiopia, Malawi, Thailand, Kenya, India, Nicaragua, and Mongolia. Regarded as a promising alternative to traditional crop insurance, market participants, NGOs, donors, and governments are all testing the applicability of index based weather risk management instruments in different contexts.

A significant advantage of this type of product is that payouts can be calculated and disbursed quickly and automatically without the need for households to formally file a claim because they are based on measured rainfall. This, in turn, reduces transaction costs, which would otherwise tend to drive up the price of the insurance. Fast payouts are also likely to be valued by policyholders in an environment where households are poor and often liquidity-constrained. A second advantage is that the product is free of adverse selection and moral hazard problems that often plague insurance markets. This is because payouts are based only on publicly-observed data, rather than private information about the beneficiary.

Demand for index-insurance products has, however, been low. A variety of factors may discourage participation, including household credit constraints and limited trust in the insurance provider. A potentially important reason for the low demand for index insurance products is limited understanding of the product amongst potential consumers. The event that triggers a payout of an index insurance products depends on complicated triggers and the calculation of the index itself that may prove particularly difficult to explain, compared to well known event insured under standard insurance.

There has been limited empirical evidence to date on the importance and impact of the financial literacy efforts on farmer understanding and take-up. When participation is voluntary, the presentation and explanation of a product is the primary method of encouraging participation. As a
result, the information provided and the means to convey it are critical for the success of the program. In addition, spillovers from information dissemination are likely to occur and should be measured when assessing the efficacy of financial literacy efforts.

The goal of this study is to examine the role of financial literacy on farmers’ decisions to purchase index-based weather insurance and to examine social network spillovers from financial literacy provision in Kenya and India. The researchers propose to benchmark these effects with the effect of providing discount vouchers off the price of insurance.

The study uses comics as the central financial literacy delivery mechanism. The comic used in this study describes a family which had faced a drought in the previous season. The drought had adverse effects on their savings and well-being. The comic carefully details the index-insurance product and shows how it can help the family protect themselves from the risk of drought. The comic presents the insurance product in an accessible and relevant manner and has sustainability as an educational tool as it can further be shared with other farmers.

**Evaluation Methodology**

The study employs a randomized controlled trial (RCT) to determine which type of financial literacy is most effective.

An initial phase of the study was carried out with coffee farmers in Ruiri and Ntima, two drought-prone areas in Eastern Kenya in early 2011. This study will be replicated in Rajasthan, India in 2012. In Kenya, researchers worked in collaboration with Ruiri and Ntima Coffee Farmer Cooperative Societies with whom the insurance company had partnered to offer drought insurance to farmers. The enumeration area covered 14 villages: 12 villages in Ruiri and two villages in Ntima. Interviewers first visited all coffee growing households within the enumeration area and collected some basic information about the household: their GPS coordinates, farm size, number of coffee trees and contact information.

Following the census, households were grouped together into clusters based on geographic proximity. Each household had a circle with a 60 meter radius drawn around their GPS marker. All overlapping circles became part of the same cluster. Households that were isolated were added to the nearest cluster. From 1117 households, 196 clusters were thus formed. Enumerators then revisited the households and administered a baseline survey.

Two interventions were tested: a comic on index insurance and discount vouchers for the purchase of insurance. At the cluster level treatment intensity was randomized and orthogonal across treatments. This design allowed for an accurate assessment of spillover effects of financial literacy compared to spillover effects of higher participation from the discount vouchers. After completing the baseline survey, enumerators administered the interventions. Each household was randomly assigned to receive a comic or not depending on what comic intensity the household’s cluster was assigned.

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**Policy Impact**

Initial evidence from Kenya suggests that social networks play an important role in farmers’ decisions to purchase drought insurance. The study presents suggestive evidence that financial literacy materials are efficacious in encouraging take-up when farmers’ social contacts similarly receive access to financial literacy materials.
Purpose of Research
This research project seeks to identify the effectiveness of alternative modes of delivering financial education to high school students. It compares the standard delivery of a structured course of materials with a series of weekly comic book episodes that personalize, contextualize, and make pertinent to the target population the lessons of the course.

Background and Objectives
Kenyan youth face an uncertain and volatile financial landscape, with high un- and under-employment, questionable long-term job prospects, and little or no protection against the vagaries of ill health and injury. However on the other hand, young Kenyans have more opportunities to invest in and plan for their futures than perhaps any earlier generation: market liberalization and a stable macro-economy have facilitated steady growth in recent years, educational and training options abound, and access to financial services has expanded considerably. It is essential to give this population the tools and financial capability to grasp these opportunities.

The project will evaluate a financial capability project that seeks not only to inform young Kenyans about financial facts and options, but also to induce them to change the way they think about and make financial decisions. In a context in which it is often difficult to see beyond the short-term, the authors focus on encouraging long-term planning as it relates to investment in education, training and small business creation, and precautionary financial behavior such as saving, asset allocation, and insurance against uncertain events.

The study is being implemented by two Kenyan organizations that have sought to help young Kenyans prepare themselves for economic opportunities through innovative means.

Well Told Story (WTS) is a for-profit company that publishes a monthly comic book called Shujaaz, read by upwards of 600,000 young people across the country, as well as a radio program broadcast on 30 radio stations nationwide, featuring the lead character of the comic book.

Junior Achievement Kenya (JAK), is a local NGO engaged with more than 200 high-school based youth clubs and associations through which a range of educational and behavioral interventions are conducted.

FSD, FinAccess (2010).
Through JAK’s clubs, students will receive financial literacy materials both through standard classroom delivery mechanisms, and as part of the Shujaaz storyline. Regular Shujaaz characters – both heroes and villains – with whom readers are already familiar, will serve as role models or anti-role models, accordingly. The objective is thus to assess the extent to which delivering financial education materials through popular media has different effects – be they different in nature and scope, larger in size, or more permanent – than more traditional methods of delivery.

To augment this exercise, the authors will also investigate the role of broadcast media in augmenting the effects of the interventions, by developing radio clips with financial education material that will be played on CD players provided to schools. These will supplement the radio shows that are currently aired in conjunction with the regular Shujaaz comic, featuring the lead characters.

**Evaluation Methodology**

The authors combine a randomized control trial with quasi-experimental quantitative techniques to assess the impact of each of the interventions, compared with no program, as well as vis-à-vis each other. The interventions are randomized across Junior Achievement Clubs:

- about one quarter of the clubs receive a financial literacy program developed by JAK’s parent organization, Junior Achievement, which has been used in other countries outside Kenya;
- about a quarter of the clubs will receive the Shujaaz comics on a weekly basis, with stories matching the content of the in-class material;
- about a quarter of the clubs will receive the regular Shujaaz comic strip, which will act as a placebo intervention; and
- about a quarter of the clubs will receive no specific intervention, acting as a control group.

Half of each of the two groups that receive the comics will also receive the CD intervention.

Since one of the objectives of the regular comic is to induce responsible behavior change in young adults through the portrayal of both positive and negative role models, it is imperative to include a placebo group in the design. This group is exposed to the same role models, and is exposed to information that could be useful in everyday life, but is not exposed to the specific financial education material.

In order to measure the impact of the interventions, the authors will collect data at baseline, before the programs, and at endline after their completion. As well as administering a survey to about 5,000 students, they will engineer a situation in which a non-trivial financial decision must be made. First, both at baseline and endline all students are asked how they would allocate about $25 of unexpected earnings between cash, a bank account, and a mutual fund on the Nairobi stock exchange. Subsequently, authors deliver prizes of this amount to each of roughly 2,000 students, again at baseline and endline. The hope is to discern changes in both the stated and the actual allocations, between baseline and endline in the treatment groups. This will provide a unique outcome measure of students’ actual financial behavior, to complement the more qualitative data we collect in interviews.

Finally, a series of behavioral games will be conducted to measure differences in attitudes and preferences, for example related to discounting, patience, and long-term perspectives across students exposed to the different treatments.

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**Policy Impact**

In order to take full advantage of a relatively stable and growing macroeconomy, young Kenyans must be given the tools to exploit the new opportunities they face. Financial innovations in particular, including the expansion of banking services, mobile money, and insurance offer great potential, but also risks. Equipping the next generation with the skills to navigate this more sophisticated financial landscape should be part of a general education strategy aimed at empowering youth.

This study will also provide more widely applicable insights into how best to reach and to teach young people, and to empower them to make responsible long-term decisions. To the extent that sound investment, careful debt management, and prudent saving and business decisions are part of a successful transition over the longer term to middle income country status, understanding the power of mass communication channels in inducing behavior change is of interest to policy makers in East Africa and beyond.
Financial Development and the Psychology of Savings: Field Experiments in Rural Malawi

**Purpose of Research**

This project investigates innovative ways to address low levels of formal savings in developing countries. The study explores to what extent psychological mechanisms can be leveraged to increase formal savings. In particular, the study determines whether direct deposit of wages – as opposed to receiving cash – can help individuals to match desired savings and expenditure patterns with actual behavior. In addition, the study explores how a combination of formal financial products and training can help to activate mental accounting to facilitate savings.

**Background and Objectives**

The study is motivated by market failures and behavioral phenomena that limit the ability of poor households to save and invest in productive activities. Incomplete credits markets in developing countries force many to rely heavily on accumulating personal savings to finance investments. However, behavioral phenomena, such as self-control problems, may lead to suboptimal savings and under-investment relative to desired levels.

The study has two parts: In the first part, the study evaluates the introduction of a new direct deposit system at large agricultural firm in Malawi that pays workers’ wages into individual accounts instead of paying in cash. Receiving wage or farm revenues in the form of cash may exacerbate self-control problems, since the temptation to spend may be higher when cash is on hand. If wage or farm revenues are sent directly into a bank account, on the other hand, temptation problems may be reduced, raising savings levels. Drawing on surveys and administrative data from bank records and the tea estate the study seeks to measure changes in the consumption patterns – timing and allocation across expenditure categories – as well as formal and informal savings and borrowing behavior.

In the second part, the project looks to study mental accounting and the role of labeled bank accounts to activate such mental accounting. Mental accounting describes the phenomenon that money is not always fungible across expenditure categories. Savings that are mentally assigned to a specific savings goal or set of expenditures,
like inputs for farming or children's school fees, may become less available for expenditures for another set of expenditures, like unplanned purchases. Offerings savings accounts that stress such mental separation by being labeled for specific expenditure categories such could therefore help individuals achieve their savings goals. The study seeks to measure impacts on financial behavior and household wellbeing through combination of survey and administrative records. Additional behavioral experiments will help to disentangle competing theories about effect channels and the nature of mental accounting.

An important question is what role financial education can play in complementing or even as an alternative to dedicated financial products designed to leverage behavioral phenomena. As part of this study we will test whether targeted financial training can help to bolster the effects of the novel financial products introduced here, and to what extent such training can substitute for such products for example by highlighting directly the benefits of mentally separating expenditures and setting savings goals.

Evaluation Methodology

The evaluation utilizes a randomized controlled trial approach. As described above, the project consists of two parts: the first evaluating the impact of switching from cash to direct deposit, the second exploring the usefulness of labeled accounts to activate mental accounting. In the first part, working with a population of wage earners at a large agricultural firm in Malawi, a new direct deposit system of wage payments will be introduced using a random phase-in. A subset of workers will be switched to the new system earlier while the remainder serves as a control group to be able to compare financial behavior and well-being between the two groups. A complementary, cross-randomized roll-out of training sessions with individual households will evaluate whether impacts can be amplified through financial literacy training, and whether impacts of the introduction of direct deposit for wages can be emulated with such training.

The second part of the study works with a population of smallholder tea farmers with regular revenues from a single buyer which are directly deposited into farmers accounts. Participants will be randomly allocated in one of several treatment groups with varying offers of savings products. The offers include a plain, second savings account, a second account labeled for specific expenditure categories based on participants savings goals and additional commitment and default features that enable farmers to pre-specify automatic regular deductions from sales for savings in a separate account.

In both parts of the study all participants will be interviewed before and after the interventions to measure any changes in savings and consumption behavior and other financial behavior amongst the different treatment groups. In addition, bank records will track changes in the use of financial products by study participants both pre and post intervention.

Knowledge about impacts of the products introduced as part of this project will help inform policy in several ways. Significant impacts of a direct deposit system for wages would lend further support for financial development in developing countries which would facilitate private firms moving from cash payments to direct deposit. Furthermore, understanding behavioral phenomena and how they relate to financial decision-making can inform the design of products that leverage such psychological mechanisms to make it easier for poor households that need to rely heavily on personal savings for both their consumption smoothing and investments needs.

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Policy Impact

This project will study changes expenditure and savings patterns of agricultural wage workers and smallholder farmers in Malawi in response to offerings of financial products designed to leverage behavioral mechanisms. By measuring the impacts of different novel financial products and offering complementary financial training, we hope to determine the potential of the products’ potential to increase savings, and to understand the role of financial literacy in both amplifying impacts and as alternatives to the same financial products.
Evaluating the Effectiveness of Mexico’s Credit Disclosure Reforms on Consumer Understanding and Financial Decision-Making

Purpose of Research
This project explores the interaction between pricing transparency and financial capability. It looks to measure whether financial capability and consumer decision-making can be improved through policy interventions more typically viewed as serving consumer protection purposes. With the often high cost of traditional curriculum-based financial education programs, finding regulatory approaches to improve financial capability through market conduct could possibly introduce alternative policy options for resource-constrained governments interested in financial capability.

Background and Objectives
An important question in financial capability policy is whether consumers learn financial lessons more easily through school-based traditional methods (such as in the classroom, in training seminars and in workshops, etc), or by accessing clear and easy to understand information in the marketplace. In Mexico, this question is of increasing importance for a number of reasons: increased use of financial products, particularly amongst low-income consumers; evidence of repayment problems and hidden charges in some credit and savings products; and many types of regulated and non-regulated financial institutions, making oversight and market monitoring a constant challenge.

This study explores the intersection between consumer protection and financial capability by comparing how product-specific information and broader financial capability messages impact short and medium-term financial decision-making of the low-income consumers in Mexico for basic credit and savings products. It will also evaluate the impact of several different channels for communicating important financial messages to consumers, including: point-of-sale disclosure; information to facilitate comparison shopping; financial counseling by phone; and periodic financial capability SMS messages.

Modifications to loan disclosure forms and two other CONDUSEF-developed financial literacy tools is the primary interventions against which consumer behavior and lender practices are measured, and
against which the 2009 reforms to disclosure regulations are evaluated for effectiveness. The study will seek to measure how improved disclosure and pricing transparency impacts the immediate decision to accept or not accept the product offered, awareness of the true costs of products, understanding of key financial information and terms, and how such awareness could impact consumers’ thinking about the financial products they use, and in turn their financial decision-making in the long-run. Several other components will be used to inform and complement the study: Mystery shopping to determine existing practices of disclosure and financial advice in the consumer credit market; testing and modification of draft disclosure formats through consumer focus groups; and a lab experiment where a consumer shopping experience is simulated with similar products that use different methods of disclosure to determine which methods are most salient and informative to consumers.

Evaluation Methodology

The evaluation utilizes a randomized controlled trial approach. As described above, the program to be evaluated consists of several different interventions focused on product transparency and financial education targeting low-income and financially-active consumers in four cities within Estado de Mexico, a state bordering the capital, Mexico Distrito Federal. The interventions will compare existing policies with proposed alternatives so that the study can both inform, and facilitate, further policy improvements. These interventions include:

- A control group that will use information provided by financial institutions under the 2009 Transparency Law to make their financial-decisions.
- Provision of a modified disclosure form that offers comparative information across several providers as an enhancement of the existing disclosure format
- Varying incentives to encourage consumers to consult CONDUSEF’s existing financial consumer hotline for one-on-one counseling services
- Monthly SMS communication from CONDUSEF to consumers with basic financial capability messages

Through the use of these four different interventions the study will not only explore the financial capability impact of improved disclosure, but also measure the relative impact of different channels in delivering financial capability messages and product information to low-income financial consumers. To measure changes in knowledge, financial behavior and decision-making amongst the different treatment groups, all participants will complete financial capability surveys prior to and one year after the intervention to measure any changes in financial capability and understanding of key product terms and features. In addition, the financial products used by consumers both pre and post-intervention will be recorded to measure changes in behavior.

The primary theory being tested in this evaluation is that consumers not only improve financial capability through traditional educational approaches, but that they also can improve financial capability through better information in the marketplace. We know that consumers learn through experience, but in the case of financial products this leaves them vulnerable to learning from negative experiences that have real economic impacts on their lives. So is it possible to improve financial capability during the shopping experience, before the consumer has signed onto an inappropriate financial product? To accomplish this we will use both a financial capability test and review changes in actual consumer financial behaviors via credit reports that track post-intervention financial product usage to several years prior.

Policy Impact

This study will compare changes in low-income consumers’ financial decision-making and capabilities through both product-specific information and broader financial capability messages. By measuring the impacts that different product disclosure methods and light-touch financial education interventions have on financial capability and decision-making, we hope to determine the effectiveness of existing transparency and financial education policies in influencing financial decision-making, and offer alternatives to resource-constrained governments looking to improve financial capability even if unable to implement curriculum-based approaches.
### Money and Popcorn: Can Entertainment Media be used to Improve Financial Capabilities in Nigeria?

#### Purpose of Research

Microenterprise owners often lack access to formal education. Using popular culture and entertainment as an alternative delivery mechanism to promote financial literacy is a potentially powerful means of facilitating access to financial information. This research project evaluates the extent to which a feature film produced through the Nigerian Film Industry (Nollywood) can increase financial capabilities of households by promoting responsible borrowing and saving strategies.

#### Background

In Nigeria, households and entrepreneurs lack appropriate information about, and access to, credit and other financial services. Although improvements have been registered in the last three years, 46% of the population remains financially excluded, with no access to formal or informal financial services. This compares unfavorably to countries such as Kenya and Botswana (33%), while in South Africa only one quarter of the population is financially excluded. This lack of access is not the product of a lack of interest or demand. Almost 75% of the unbanked population in Nigeria would like to have a bank account and over 80% of the population gets financial advice from family and friends. Furthermore, the great majority of Nigerians would like to know how to save for their old age (63%), how to save regularly (60%), how to open a bank account (55%), and how interest rates are calculated (52%). This evidence underscores the size of the financially underserved population and some of the factors that deter Nigerians from using formal financial institutions. It also points to their desire and need for financial education. In countries with diverse social and economic profiles like Nigeria, financial literacy is particularly relevant for microenterprise owners as they are vulnerable to persistent financial pressures. Building financial capability in Nigeria represents a considerable step in helping consumers to acquire the skills and knowledge to be capable, confident, and self-reliant when making financial decisions. There is, however, a lack of evidence on the best means of building these capabilities in consumers. This

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research evaluates the effectiveness of improving financial capabilities through entertainment (in this case a feature length film). It looks to provide inputs to the current debate in the financial capability field around the value and viability of non-classroom style, alternative delivery mechanisms. Leveraging the support of Nollywood, the initiative uses a full feature film “The Story of Gold” to enhance financial literacy in viewers. It then assesses the impact of the film on individuals’ financial capabilities (namely, literacy, skills, attitudes, and behavior). Essentially, it looks to test whether a popular media initiative such as this is able to: (1) increase people’s awareness and understanding of best practices for day-to-day financial management, saving and borrowing money; and (2) lead to more responsible financial decision making.

“The Story of Gold” is a film produced by Nollywood and distributed by Credit Awareness. Credit Awareness is a Nigerian NGO which has undertaken an active and phased national program of promoting financial literacy in cooperation with a large number of supporters, including the Central Bank of Nigeria. The movie aims to teach low income entrepreneurs with limited formal education some of the core concepts around financial planning. The film revolves around the core values of “smart savings and responsible borrowing” and disseminates this message through large screenings in public locations across Lagos State. Focusing on this simple behavioral goal and highlighting the repercussions of poor financial decisions, “The Story of Gold” looks to leverage the popularity of Nollywood to build awareness and impact the financial decision-making processes of low-income households.

The movie aims to provide financial education that will elicit behavior changes by setting these messages within emotive contexts. But emotions fade with time, and the window for action is limited. If given the opportunity to take action on their emotions in the moment, it is hypothesized that participants would make more financially astute decisions. If these decisions have potential long-term implications, such as opening a savings account, this action, driven by emotion linked to the movie could potentially influence participant behavior in the long run. The study will thus invite Microfinance Institutions (MFIs) to participate in the screening event, providing the platform required for motivated movie-goers to act on their motivations and open a savings account on the spot.

Evaluation Methodology

Markets will be selected in the outskirts of Lagos and a screening area will be chosen that will be accessible for all participants in order to maximize take up rates. An initial listing will be conducted that will entail a full census of stall owners within a 1 mile radius of the screening event. The listing will act as a mini baseline and will include a selection of key indicators of interest together with identification indicators (including GPS coordinates). Once the listing has been completed, participants will be randomly selected into 4 different groups: (i) “Story of Gold” screening only, (ii) “Story of Gold” screening with MFIs opening savings accounts for viewers on the spot, (iii) A placebo movie screening (control) and (iv) the placebo screening with MFIs. Survey participants will receive color-coded wrist bands and personal invitations the day prior to the movie screening to minimize the chance of contamination and to improve participation rates. By randomly selecting who will receive which intervention, we will be able to measure the causal impact of both the movie screening and the movie screening reinforced with MFI representation to disentangle the long-term educational effects of the movie from the immediate emotive context on influencing savings and borrowing behavior.

Policy Impact

Movies have often been associated with negative behavioral impacts such as increasing violence or encouraging smoking, but can they also lead to positive behavioral changes? Nollywood’s mass distribution model is an ideal platform for disseminating financial education messages across Africa. However, it is not clear a priori whether viewing a movie is sufficient to improve people’s financial capabilities. If proven effective, films such as “The Story of Gold” may offer a unique opportunity to improve financial literacy among low-income microenterprise owners.
Using Media to Encourage Savings through Learning-By-Doing

Purpose of Research
This project explores how new media and “learning-by-doing” can encourage financially unsophisticated consumers to open and maintain savings accounts. We evaluate a promotion by a large Nigerian bank to examine (1) how consumers respond to different types of new media campaigns, e.g. internet and celebrity endorsements, and (2) how the experience of maintaining a savings account over a three month period can improve financial literacy and change long-term precautionary savings habits.

Background and Objectives
Formal savings accounts are not widely used in Nigeria, but the consumer finance sector is growing rapidly. As a large emerging market with low financial literacy, Nigeria can inform us about the interaction of retail and household finance in developing countries.

In 2011, InterContinental Bank in Nigeria launched a nationwide savings promotion called “I-Save I-Win” (ISIS). It featured a large number of heavily publicized lottery prizes for those who opened or maintained savings account and maintained savings balances above various threshold amounts — N50,000 (US$320) for regional lotteries, N100,000 ($640) for the national prize — for 90 days. Its message: although the special promotion included lottery prizes, every saver is a “winner.” ISIS was promoted with a media push including celebrity endorsements and media releases through Facebook and YouTube, which were staggered over a period of several months.

This project will evaluate ISIS’s impact on customers’ savings habits and financial literacy. First, we explore how the experience of maintaining savings accounts during the 90-day promotional period affects savers’ long-term savings habits. Second, we investigate how different media promotions affect customer participation in the program and savings behavior: which media pushes led to more sign-ups, and to what extent did each lottery winner have a “demonstration effect,” i.e., inspiring others to increase savings at her branch.
Evaluation Methodology

We partner with Access Bank, which recently acquired InterContinental Bank. Our analysis uses detailed transaction-level individual savings account data. To study the intensive margin of how ISIW affected the savings activity of existing account-holders, we conduct a “differences-in-differences” analysis: We compare savings account balances before and after each phase of the ISIW promotion. To control for general trends in savings activity over the same time period, which may not be due to the savings promotion, we use data from a second bank that did not have a savings promotion to create a control sample.

To study the extensive margin of how ISIW affected new account sign-ups and savings, we conduct a similar differences-in-differences analysis comparing sign-ups at InterContinental Bank before and after each phase of the savings promotion, and again control for time trends using data from a second bank that did not have a savings promotion.

In addition, we examine the effect of winning the lottery on lottery winners’ savings behavior and the savings behaviors of individuals associated with the same banking branch as the lottery winner. The lottery randomization offers a clean source of identification through which we can establish a causal effect of lottery winnings on savings behavior.

We will also conduct surveys to learn about changes in financial behaviors that are not directly observable from bank account data, such as financial literacy and the source of funds brought into InterContinental Bank (e.g. consumption, other banks, stored cash).

Policy Impact

This research investigates the potential for new media and savings promotions to increase financial literacy and to build a habit of precautionary savings. Learning by doing, accompanied by new media promotions, may provide a valuable complement to other forms of financial literacy training.
Evaluation of the Use of Entertainment Education to Improve Financial Capability in South Africa

Purpose of Research
This project aims to pilot entertainment education as an information delivery tool to influence sound financial management in South Africa. It will do so by assessing the usefulness of this instrument to increase financial capabilities of the population with a robust impact evaluation framework.

Background and Objectives
Household debt has been growing at a startling rate in South Africa over the last decade, especially among low income segments of the population, posing a direct threat to the country’s economic stability. The ratio of household debt to disposable income amounted to 78.2% in the third quarter of 2010.1 In September 2010, the South African National Credit Regulator (NCR) reported that of the 18.35 million credit-active consumers, 46.3% had impaired records. Over the last two years, this number has increased by an average of 6.9% per year. The percentage of consumers who remain in arrears for three months or more stood at 17%. The South African National Debt Mediation Association (NDMA), established in 2008 by the financial industry to provide an independent debt resolution process for the over-indebted, reports that 160,000 cases of over-indebtedness have already been registered with the National Credit Regulator (NCR). Approximately 8,000 additional cases are recorded each month.

The objective of this study is to assess the ability of entertainment education as a social marketing instrument to increase financial capabilities of the consumers in South Africa using a robust impact evaluation framework. The program aims at enhancing knowledge, attitudes and behavior regarding sound financial decision-making with a particular focus on managing debt. The potential gains of such a program in terms of increased awareness of debt-related problems and behavior change, such as avoiding debt and seeking help once over-indebted, are of particular relevance in South Africa given the high and increasing levels of household debt.

The sharp increase in over-indebtedness and impaired consumer credits in recent years in South Africa has been triggered by job losses and a

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but heard about the content with those who neither watched nor heard about it. Literacy messages can be detected through several rounds of interviews. And effects of the incentive itself. Cumulative and/or non-linear effects of the financial incentive insures that a comparison sample is available for interviews and comparison to a control group allows for attribution of the effects found. The random selection and behavior will be straightforward as the randomization allows for a direct comparison between the treatment and the control group. The random selection and comparison to a control group allows for attribution of the effects found. The financial incentive insures that a comparison sample is available for interviews and the incentive for both treatment and control groups eliminates any confounding effects of the incentive itself. Cumulative and/or non-linear effects of the financial literacy messages can be detected through several rounds of interviews. And lastly, spillover effects can be measured by comparing those who did not watch but heard about the content with those who neither watched nor heard about it.

**Evaluation Methodology**

An evaluation of the impact of a soap opera on behavior and attitudes needs to respond to a number of substantial methodological challenges. First, the effect of the soap opera’s message must be separated from the potential impacts of other messages on similar topics from other sources to which the individuals may be exposed. Second, it is necessary to identify a valid counterfactual, an estimate of possible outcome for participants in the absence of the program. Third, because the effect of the message may be confounded by the delivery channel, it is difficult to establish causality between the financial literacy and any potential behavior change. To overcome these concerns, the evaluation will deploy a random encouragement design methodology.

The key components of the research design include:

- A financial incentive provided for half of the sample (the randomly selected treatment group) to watch “Scandal!”
- A financial incentive provided for the other half (the randomly selected control group) to watch a similar soap opera that is aired around the same time but does not have a financial literacy component
- Award of the incentive if the participants are able to answer several questions about the non-financial content of the show correctly
- A phone-based survey with transfer of the financial incentives coming in the form of airtime credit
- A final face-to-face survey looking at the longer-term effects of the soap opera 4 months after the financial literacy part of the show was broadcasted

The estimation of the impact of the soap opera on knowledge, attitudes, and behavior will be straightforward as the randomization allows for a direct comparison between the treatment and the control group. The random selection and comparison to a control group allows for attribution of the effects found. The financial incentive insures that a comparison sample is available for interviews and the incentive for both treatment and control groups eliminates any confounding effects of the incentive itself. Cumulative and/or non-linear effects of the financial literacy messages can be detected through several rounds of interviews. And lastly, spillover effects can be measured by comparing those who did not watch but heard about the content with those who neither watched nor heard about it.

**Policy Impact**

Addressing private indebtedness is a high priority for South Africa. The National Treasury of South Africa is currently developing a national financial literacy strategy and an action plan for its implementation. The February 2011 National Treasury Policy Document “A Safer Financial Sector to Serve South Africa Better” calls for strengthened market conduct regulation and better consumer education. Improving financial capabilities, especially around debt management, has increased in importance in South Africa, a result of the large and growing levels of household debt in the country. Therefore this project is of particular importance to the South African authorities, who are also actively engaged with project development through an advisory committee. The outcomes of the project in terms of increased awareness of debt-related problems and behavior change, such as avoiding debt and seeking help once over-indebted, will inform the instrument choices that South African policy makers will make in designing financial capability building strategies. Beyond South Africa, the project is expected to make a major contribution to the policy discussion on the use of entertainment education as a behavior change tool and to inform policy choices globally.
**South Africa Old Mutual Financial Education Study**

**Purpose of Research**
Financial literacy levels are low in South Africa. Informal burial societies are the primary source of cross-insurance, yet such societies provide, at best, incomplete coverage. The purpose of this financial literacy program is to encourage individuals to seek more efficient financial vehicles, as well as to save and use credit wisely.

**Background and Objectives**
Governments, NGOs, and aid organizations are increasingly focusing on financial literacy education as a tool for improving welfare. Yet to date, there is little rigorous evidence that financial education is effective. This project evaluates Old Mutual’s “On the Money”, a one-day financial education program that provides training on saving, financial planning, budgeting, and debt management. The training program is very similar in content and delivery to a financial literacy evaluation being conducted by the same authors in India.

To rigorously measure the impact of the intervention, we use a randomized control trial. We identify and survey about 1,300 individuals: 610 organized in 43 Burial Societies and 690 organized in 36 Women’s Development groups in the Eastern Cape and KwaZulu Natal. A randomly-selected half of these groups will receive financial education. The other half will form the control group for the duration of the study.

After the baseline survey and intervention, the follow-up survey will be conducted in approximately six months after groups receive training. Any differences we will observe between the treatment and comparison group can be causally attributed to the training as randomization ensures that the training and control groups are on average identical at the outset of the study.

The evaluation is based on Old Mutual’s “On the Money” financial education program. The program is administered during a full day seminar with scheduled groups, and covers five main topics: (1) Saving, (2) Financial Planning, (3) Budgeting, (4) Dealing with Debt, and (5) Investing. The course is taught in the native language of the group using power point slides as well as educational videos, and includes a workbook that helps to reinforce the concepts. In addition, the workbook is used during interactive group activities and discussions, where attendants can practice creating budgets together and discuss their financial plans for the future.
Evaluation Methodology

In order to establish a causal effect, our study incorporates random assignment of burial society groups (BSSP) and borrowing groups of the Women’s Development Bank (WDB) to receive Old Mutual’s “On the Money” financial literacy training. This ensures that those who receive training are statistically indistinguishable from those who do not, and that any observable difference between the groups (in terms of saving, borrowing, etc.) after the intervention was implemented can be attributed solely to the training program.

Examining the scope and pathways by which financial education affects financial behaviors requires that we obtain a rich dataset on trained participants and the control group. To that end, we will obtain outcome measures from a variety of sources, including individual surveys and administrative data collected by Old Mutual and WDB, which will allow us to understand how financial literacy evolves, the ways individuals change their financial behavior in response to training.

To estimate the true causal impact of financial education, we need to establish the correct counterfactual—i.e. what our trained participants would have done had they not received the training. Studies that simply compare individuals who receive financial education to those who do not are susceptible to selection bias, meaning that people who choose to take financial literacy courses may differ from those who choose not to take such courses. Our evaluation methodology—the randomized controlled trial—eliminates that bias. By randomizing assignment to treatment or control, we ensure the offer to attend training is not correlated with any potentially confounding factors like level of education, income, or motivation.

Policy Impact

In the last few decades, large amounts of funding have gone into development initiatives to improve access to finance for low-income individuals throughout the developing world. Yet, practitioners have recently become concerned that consumers lack the knowledge of financial concepts and are ill-prepared to make financial decisions that will benefit their economic well-being. As a result, financial literacy has received much attention from various interest groups, organizations, and governmental agencies.

This study will add to the growing body of evidence analyzing the relationship between levels of financial literacy and potentially harmful financial choices and poor financial situations. It will further rigorously test whether the notion that financial literacy education is an important tool to influence individual behavior and improve the financial condition of individuals. Lastly, the comparison with a similar study in India will provide valuable insight into how differences in context can explain differential impacts.
Financial Education in Rural Uganda: Insights from Financial Diaries and In-Depth Interviews

Purpose of Research
The purpose of the project is to examine the use of a new, innovative survey methodology – Financial Diaries – in combination with in-depth interviews, in understanding and measuring the financial capabilities of low-income individuals.

Background and Objectives
Financial Diaries are multi-period surveys of individuals that record all their economic transactions over a period of a number of months. They generate detailed information on the economic behavior of respondents, including their financial service use, and, as a result, have the potential to be a useful tool in the analysis of behavioral change resulting from financial education and other initiatives. To examine that potential, the project addresses the following three questions:

1. What can Diaries, in combination with in-depth interviews, tell us about the financial capabilities of low-income people that we might not know otherwise?
2. How can change in indicators of financial capability be tracked through Diaries, in combination with in-depth interviews, over time?
3. Under what circumstances is it appropriate to use financial Diaries to evaluate the impact of a financial education program?

The answers to these questions are grounded in the conceptual framework for understanding financial capability that we have developed for this project. The framework builds on work by others, notably Elaine Kempson and Monique Cohen, and also draws on the work of behavioral economists. It identifies three key components of financial capability and identifies three key dimensions of these components: the cognitive, the behavioral and the environmental or structural dimensions. The components are:

1. Day-to-day cash flow management, which includes: making ends meet for both ordinary expenses and “lumpy,” large expenses (behavioral), keeping track of your cash flow and budgeting (cognitive), understanding the difference between necessary and unnecessary expenses (cognitive), and avoiding unnecessary expenses (behavioral);
2. Planning for the future, which includes: making contingencies, such as saving up or buying insurance, for future emergencies/risks, including a time when one can no longer work, or opportunities (behavioral), as well as the cognitive process of articulating to oneself what those might be and developing a strategy for making such contingencies;

3. Financial service use, which includes: choosing the right financial tool (savings, loan, insurance, or grant/gift) for the right occasion (behavioral), based on an understanding of the costs and benefits of each (cognitive), and choosing the right financial service provider of each of these (behavioral) given the choices available (environmental).

From these components the project develops indicators of financial capability, which it then operationalizes through the analysis of Financial Diaries and in-depth interview data. For example, in examining whether individuals plan for the future we can use Diaries data to examine how they behave in the face of an unexpected expense such as a hospital bill. Do they borrow money from a financial service provider? Or do they reach out to friends and family for financial support? The Diaries data can provide answers to these questions because they include information on all expenditures and also the source of the money used to pay for those expenditures. In addition, because the data are gathered weekly, they allow researchers to observe the coincidence of expenditures and cash inflows in time. As a result, when an emergency expenditure is observed it is possible to identify the sources of cash used to pay for those expenditures.

The project will not only demonstrate how to use Diaries to detect these sorts of transactional sequences (behaviors), but will also examine whether Diaries can detect changes in transactional sequences or behaviors over time. To extend the previous example, do we see a change in behavior over time whereby unexpected expenditures are no longer paid for from the proceeds of a loan, but paid for out of savings the respondent has accumulated?

### Research Design

The research is taking place in two communities where HFHU is offering financial education and in two comparison communities outside of HFHU’s service area. All respondents reside in the Luwero district and in economically and demographically similar communities to each other. Financial diaries data are collected at weekly visits with respondents before, during and after the intervention. The period after the intervention consists of two time periods: one immediately following the intervention and another twelve months after the start of the Diaries data collection. The sample consists of 103 respondents, 47 in the treatment group and 56 in the comparison group, in Phase 1, which covers the pre-intervention period, the intervention period, and the immediate post-intervention period. In Phase 2, which covers the long-term, post-intervention period there are 90 respondents remaining from Phase 1, 38 in the treatment and 52 in the comparison group. The attrition in the number of respondents is due to a mix of changes in circumstances of respondents (e.g. death, moving away) and some refusals to rejoin the study.

This design allows us to observe changes in behavior (manifested in changes in the pattern of economic transactions) made in both the short- and the long-term in both the treatment and comparison groups. We will also be able to observe changes in behavior by comparing patterns of transactions during the same time of year, one year apart and on either side of the intervention, to take into account seasonality. In-depth interviews are conducted with respondents before, immediately after, and ten months after the intervention to identify any changes in knowledge among the treatment and comparison groups.

### Policy Impact

Preliminary results from baseline data collected from May to July 2011 suggest:

1. The prevalent use of home savings as a cash flow management tool, despite it being regarded by respondents as a second-best financial tool.

2. Home savings and saving in SACCOs or savings groups seemed to have been, to some extent, substitutes. But these two ways of saving differed in a key dimension: the latter required a disciplined commitment to saving, while the former did not.

3. The limited use of debt as a way to manage financial challenges – it was uncommon for someone to borrow money to cover a deficit, pay for a lump sum expenditure, or cover an emergency expenditure. They were far more likely to withdraw cash from their home savings or get money from a friend or relative.

4. People are more likely to turn to another individual for help during an emergency in comparison to when they need money to pay for an ordinary lump sum expenditure. This suggests that people are embedded in networks of mutual support, which they can tap into in an emergency.
Measuring Financial Capability and the Effectiveness of Financial Education

Thematic Area
Vocational and business training, and business network effects

Target Segment
Small scale industries

Delivery Channel
Practice based vocational training and classroom based business training

Evaluation Team
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Partners
Katwe Small Scale Industries Association in Kampala, Government of Uganda

Timeline
July 2011 – December 2012

Network Effects in SME Clusters

Purpose of Research
This impact evaluation uses a randomized control trial (RCT) to assess whether vocational and business training for small scale entrepreneurs can impact business knowledge and outcomes. Further, the research maps out business networks and seeks to identify to what extent such enhanced knowledge is shared among network members.

Background and Objectives
Identifying the determinants of entrepreneurship is an important research and policy goal, especially in emerging market economies where lack of capital and supporting infrastructure often imposes stringent constraints on business growth.

It is important to note that businesses do not operate in a vacuum. They interact with neighboring businesses, with close associates operating in other areas, and with businesses above and below in the supply chain. Importantly, many businesses are part of larger networks, some of which make joint sales decisions, share costs, revenues, working capital, and production information. Existing research has identified the breadth and scope of such networks as being quite large and widely prevalent in developing countries.

But how is information shared among networks, is it voluntary or involuntary? There are two competing hypotheses of information sharing within networks – on the one hand, business networks may be formed to overcome failures in the credit, labor, or other input markets, and here network members operate as one large firm, jointly maximizing profits and welfare. In this model, information would freely flow to all network members even if only a subset is trained. An alternative view, however, is that network membership is involuntary (inherited or otherwise enforced), and in a competitive environment, network members have an incentive to withhold information from others in order to gain a competitive edge.

In our proposed work, we have the opportunity to explicitly test these two predictions in a competitive market of informal small-scale industrial producers. These are metal fabricators, shoe makers, caterers, and the like, operating in industrial clusters in the outskirts of Kampala, Uganda. We are working with the local industry association to implement an impact evaluation of a comprehensive technical and business training program sponsored by a joint Ugandan Government and World Bank initiative.
Evaluation Methodology

Owing to the physical clustering of workshops, our study will focus on delivering trainings at the cluster rather than individual level. Moreover, the randomization will be at the cluster level. This will avoid spillovers to immediate neighbors who might be in the control group, and importantly will be more acceptable to workshop owners participating in the evaluation.

Although neighborhood spillovers will be controlled by design, we hope to be able to capture spillovers across business networks. Our initial pilots and focus group discussions have shown that many workshops are linked to others in business networks that are not necessarily dependent on immediate physical proximity. Hence, in the baseline survey, we will record the names and contact details of five such closest business associates of each firm owner, followed by a series of questions on how information, knowledge, working capital (such as labor), and sales orders are shared with these businesses. This will enable us to map out the network tree of each entrepreneur in our sample, separate and apart from the physical cluster.

After the trainings are implemented, we will conduct follow-up surveys not only on treatment and control clusters (in order to get first-order effects of our training program), but also on network members of both treatment and control groups. The comparison of information sharing and outcomes for these groups will then identify the value of business networks.

The difference in the nature of technical and financial skills will further allow us to test the two competing theories of information sharing discussed above. Specifically, technical skills are highly observable and cannot be hidden from others, who can learn these skills from direct observation. In contrast, financial management skills are not so observable, and accounting books and record-keeping can easily be done behind closed doors. Hence, if networks are joint welfare maximizers, then we would not see any difference in the sharing of technical and financial knowledge. However, the alternative hypothesis would imply that there is less sharing of financial knowledge.

Policy Impact

Studying how business networks operate is important for policymaking as any identified positive externalities could justify scaling down spending on business and financial training programs while still being able to reap many if not all the benefits. For example, if we find network effects are significantly positive, then policy can be designed to provide training to only a subset of those targeted, who can then spread the knowledge to others. These potential positive spillovers would constitute efficient ways to scale the impact of trainings and provide a natural source of leverage for these programs. Furthermore, the resources saved in doing so could be spent on expanding training in other areas or on other development projects.
Evaluation Toolkit for Financial Capability Programs in Low and Middle Income Countries

While there are many useful existing toolkits that address different aspects of program evaluation, the Toolkit financed by the World Bank Trust Fund for Financial Literacy and Education is focusing on the specific challenges of evaluating financial capability interventions in the low-income and middle-income country setting. This Toolkit and its related activities (including testing and dissemination) will be targeted to organizations, firms, and individuals undertaking evaluations of different types of financial capability interventions, both in the public and private sector, including program staff and managers who are contracting out such evaluations. The overarching goal is to facilitate understanding of and build support for evaluations among this potentially diverse set of stakeholders.

To this end, the Toolkit team, led by the RAND Corporation, will address three interrelated tasks: 1) designing the Toolkit itself to serve as a guide for designing and conducting evaluations, bearing in mind the needs and capabilities of the intended users; 2) supporting the selection and ongoing interaction with the pilot programs already funded under the broader Trust Fund initiative in order to incorporate their experience into the Toolkit, and 3) conducting dissemination activities in collaboration with the World Bank.

As part of the formative research for the Toolkit, the team conducted a stock take of existing financial capability interventions as well as a series of stakeholder interviews with various practitioners currently undertaking evaluations, to understand key research gaps and practice needs. Based on the goals of the Trust Fund and the initial formative research, the basic components of the Toolkit are currently under development.
In the introductory chapters, the Toolkit will provide an overview of the need for financial capability, and introduces a model of financial capability (including knowledge attitudes, beliefs and latent skills, manifest skills and behavior, and ultimately financial well-being and security) in order to frame the role of financial capability interventions. It will outline notable examples of interventions of interest, including school-based programs, social media or edutainment based and programs that are built into government-to-people (G2P) interactions, as well as new innovations that draw on psychology and behavioral economics. Finally, it will discuss the broad rationale for evaluation, and the role that evaluation plays in reshaping programs as well as broader policy directions.

The Toolkit will then move on to the use of a logical framework as a starting point for the evaluation of any intervention of interest: what is the constraint or problem that the intervention is intended to relieve, and how, in principle, does the intervention lead to the outcome (for instance, by changing decision inputs or processes, by introducing incentives or removing constraints). From the basic logical framework approach, the Toolkit will then go on to address basic empirical methods for performing both monitoring and process evaluation and impact evaluation, as well as cost-benefit analysis.

What will set this Toolkit apart will be the focus on issues specific to financial capability programs, as well as the use of concrete examples drawn from the Trust Fund pilots and other relevant studies. In the first case, for instance, the Toolkit will describe practical and ethical challenges that may occur in such programs, such as applying innovative survey methods for eliciting sensitive financial information or measuring financial knowledge and numeracy, or understanding whether financial service provider incentives lead to conflicts of interest that could negatively affect consumers. In the second instance, the Toolkit will link these discussions to illustrations and resources from the field, such as a repository of well-validated sample survey instruments and protocols for informed consent and disclosure. By drawing on real-world examples and providing practitioners with actionable tools, the Toolkit’s goal is to make state-of-the-art evaluation tools relevant and accessible to the community of policymakers and practitioners in the field of financial capability.
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